



FOURTH
CENTRAL PAY COMMISSION

REPORT

PART II



DECEMBER 1986
GOVERNMENT OF INDIA

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INTRODUCTION

The Fourth Central Pay Commission was set up in September, 1983. We submitted Part I of our report in June 1986 covering matters relating to structure of emoluments, allowances, conditions of service of employees of Central Government and Union Territories, members of All-India Services and personnel belonging to armed forces. This is the Part II of our report dealing with the pension structure for pensioners—both past and future—and the death-cum-retirement benefits for government employees.

Part II of the report has 18 chapters dealing with various aspects of death-cum-retirement benefits for government employees, pension structure for pensioners, medical and other facilities to pensioners, and other related matters.

We have also prepared a Statistical Supplement containing the data on pay, pension, allowances and other matters.

It is a matter of great sorrow that towards the concluding stage of our work, we had to bear the irreparable loss of our distinguished Chairman, Shri Justice P.N. Shinghal who passed away on October 17, 1986 after a brief illness. Justice Shinghal was a man of high principles, and an eminent legal luminary with vast and rich experience in the broad field of administration. He had infinite capacity for work and guided the Commission in its deliberations at every stage. We had the benefit of his advice in dealing with the complex work entrusted to us and in the formulation of our recommendations. He is not with us in signing this part of our report and we have to console ourselves by paying homage to him.

After Justice Shinghal's sad demise, we were informed* that government would like Part II of the report of the Commission dealing with pensionary matters to be submitted without waiting for the appointment of a new Chairman. We have finalised the report accordingly.

* Finance Secretary, Government of India, Ministry of Finance, D.O. No. S-2635/83/86, dated October 29, 1986.

CHAPTER 1

SCOPE AND PROCEDURE OF WORK

1.1 The first part of the Commission's report covering matters like pay structure, compensation for price rise, allowances, and other benefits of Central Government employees including employees of Union Territories, members of All-India Services, and personnel belonging to armed forces, was sent to the Government on June 30, 1986. This is the second part of the Commission's report and deals with the pension structure for pensioners—both past and future—including death-cum-retirement benefits of government employees.

1.2 The terms of our reference given in Resolutions dated July 29, 1983* and February 16, 1985**, *inter-alia*, required us to examine the present structure of emoluments and conditions of service of central government employees taking into account the total packet of benefits including death-cum-retirement benefits. Subsequently, the terms of reference were amended to include past pensioners under the Resolution dated November 8, 1985***, by adding paragraph 2(A), below paragraph 2(5) of the earlier Resolution as follows,—

“2(A): To examine, with a view to having a proper pension structure for pensioners—both past and future—the existing pension structure; including death-cum-retirement benefits, and make recommendations which may be desirable and feasible having regard, among other relevant factors, to the retirement benefits available to employees of the Public Sector Undertakings, State Governments, etc., economic conditions in the country, the resources of the Central Government and the demands thereon such as those on account of developmental planning, defence and national security.”

1.3 This is the first time that the pension structure for pensioners, both past and future, has been entrusted for examination to a Pay Commission. The rules for sanctioning pensions have undergone changes from time to time and various *ad hoc* measures have been adopted over the years to provide relief to pensioners against rise in the cost of living. The content of 'Pension' has undergone changes according as the State has thought it necessary or desirable to provide more benefits to pensioners. A detailed study of the pension structure for all pensioners distributed in various parts of the country, would have taken considerable time. We therefore contented ourselves by making use of the information supplied to us by the Department of Pension and Pensioners' Welfare and it formed the basic data on the subject.

1.4 We are aware of the complexities of our task. It has become all the more complicated because when retirement benefits were varied from time to time, options were given to the employees to retain the old benefits. A number of orders were also issued to provide relief to pensioners against rise in price. Those orders had far reaching effect. Some of the State Governments are following, by and large, the pension schemes of the Central Government, and we realise that our recommendations may indirectly affect pensioners in the States. In the public sector undertakings, where the contributory provident fund scheme is mostly in operation, there is now a general demand for providing

* Annexe 1.1

** Annexe 1.2

***Annexe 1.3

pension. In fact, our terms of reference require us to examine the pension structure and to make our recommendations having regard to the retirement benefits available to employees of the State Governments and public sector undertakings. Information had therefore to be collected from those employers and we gave them an opportunity to favour us with their views.

1.5 We have interpreted the expression "Central Government Employees" in paragraphs 1.9 to 1.12 of Part I of our report, indicating further in paragraphs 1.13 to 1.18 the categories of Central Government employees who do not fall within our terms of reference. This is also the basis for our consideration of the pension structure including death-cum-retirement benefits for government employees.

1.6 Accordingly, pensioners who hold constitutional appointments like Judges of the Supreme Court and High Courts, Comptroller and Auditor General, Chairman and Members of Union Public Service Commission, and Chief Election Commissioner have also been kept out of our consideration as their conditions of service are governed by separate Acts and Rules. The pension of the President of India is regulated by the President's Emoluments and Pension Act, 1951 as amended in 1985. Pension of Members of Parliament is also regulated by separate enactments. All these pensioners fall outside our purview.

1.7 As regards extra-departmental agents under the Department of Posts, the Report of the One-man Committee under Shri R.R. Savor has already covered matters relating to their terminal benefits.

1.8 The questionnaire circulated by us in April, 1984, covered the issues which were brought up for our consideration, including matters relating to pension and death-cum-retirement benefits. We did not, however, consider the issues relating to past pensioners at that time as they were outside our purview. Subsequently, with the amendment in the terms of reference bringing past pensioners within the scope of our work we issued a public notice* inviting all associations, unions, institutions, other organisations, and interested persons to send memoranda containing their views on matters covered by paragraph 2 (A) of the terms of reference by January 15, 1986. The public notice was published in leading newspapers between December 9 and 16, 1985. In response to it, about 1300 memoranda were received. While 400 memoranda were from unions/associations, the others were from individuals.

1.9 Keeping in view the issues raised in the memoranda received in response to our public notice, and matters relating to past pensioners, we circulated a supplementary questionnaire** in July 1986, asking for reply by August 25, 1986. Copies of the questionnaire were sent to about 400 associations and unions which had responded to our public notice. Chief Secretaries of States/Union Territories, some of the Secretaries/Heads of Departments and to some selected individuals. We received more than 450 replies.

1.10 We wrote to State Governments in April, 1986 drawing their attention to the newly included paragraph 2(A) in our terms of reference requesting them to furnish information regarding pensionary and other benefits available to employees of the State Governments and the pensioners. The State Governments supplied information in this respect.

1.11 We also made a request to the public sector undertakings in May, 1986 for information regarding retirement benefits available to their employees. We received information from some of the public sector undertakings.

* Annexe 1.4

** Annexe 1.5

1.12 While considering the various issues relating to retirement benefits we have depended on the information furnished by the Department of Pension and Pensioners' Welfare and others. However, these matters being under review by government from time to time it may be that the latest information on them may not have been available to us at the time of our deliberations.

1.13 We have referred to the non-availability of relevant data regarding pay, allowances and other conditions of service of government employees in Part I of our report. We experienced similar difficulty in regard to various aspects of retirement benefits of government employees. We received some information from the Department of Pension and Pensioners' Welfare and subsequently information was collected from other sources like public sector enterprises and State Governments. The statistical data collected by us on pay, pension and other related matters has been compiled in a separate Statistical Supplement. A beginning has thus been made to build up a data base and we have no doubt that this Statistical Supplement will be updated on a continuing basis. As recommended in Part I of our report, this work *inter alia* could be entrusted to a permanent standing body. This will ensure that for any future exercise in revising pay, allowances and retirement benefits of government employees the essential data would be readily available.

1.14 The memoranda received by us in response to the first public notice issued in September-October, 1983 covered many of the issues about pension and other death-cum-retirement benefits. Similarly, the questionnaire circulated by us in April, 1984 also contained a number of questions on pension and related matters and we received a number of replies. Our earlier discussions with unions/associations of employees and secretaries to government and other senior officials also covered issues relating to pensionary benefits. All these have been taken into consideration by us. In view of the amendment in the terms of reference bringing past pensioners within the scope of our work, we thought it necessary to have further discussions. Accordingly, we discussed the matter with the Staff Side in the National Council (JCM), representatives of pensioners' associations and unions and some individual pensioners. Annexe 1.6 is the list of associations of pensioners which took part in discussions with the Commission. Annexe 1.7 is the list of prominent persons who participated in discussions. We also invited some of the heads of departments and secretaries to government for discussion on matters relating to pensioners. The Comptroller and Auditor General, Cabinet Secretary and the three Service Chiefs were also invited to give us the benefit of their views and these discussions ended on November 25, 1986. A list of those who participated in these discussions is at Annexe 1.8. We addressed State Governments and Union Territories for their views on the supplementary questionnaire and these have been taken into consideration while formulating our recommendations.

1.15 We spent 15 days on the above discussions, and 50 days in our meetings for deliberations on various issues relating to pensioners and retirement benefits.

PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY,
PART-I—SECTION 1)

MINISTRY OF FINANCE
DEPARTMENT OF EXPENDITURE

RESOLUTION

New Delhi, the 29th July 1983
Sravana 7, 1905 (SAKA)

No.5 (56)E-III/83. The Government of India have been considering for some time past the changes that have taken place in the relativities of the structure of emoluments of Government employees over the years. Conditions have also changed in several respects since the last Pay Commission made its Report in 1973. Accordingly, it has been decided to appoint the Fourth Central Pay Commission consisting of the following :—

- | | |
|---------------------|-----------------------------|
| 1. Chairman | —Shri Justice P.N. Shinghal |
| 2. Member | —Prof. M.V. Mathur |
| 3. Member | —Shri J.P. Kacker |
| 4. Member | —Shri Gopal Das Nag |
| 5. Member-Secretary | —Shri A.K. Majumdar |

2. The terms of reference of the Commission will be as follows :—

- (1) To examine the present structure of emoluments and conditions of service, taking into account the total packet of benefits, including death-cum-retirement benefits, available to the following categories of Government employees and to suggest changes which may be desirable and feasible :—
 - (i) Central Government employees-industrial and non-industrial
 - (ii) Personnel belonging to the All India Services.
 - (iii) Employees of the Union Territories.
- (2) To examine the present structure of emoluments taking into account the total packet of benefits in cash and kind including death-cum-retirement benefits available to Armed Forces personnel and to suggest changes which may be desirable and feasible, having regard to their terms and conditions of services.
- (3) To examine the variety of allowances and benefits in kind that are presently available to the employees in addition to pay and to suggest rationalisation and simplification thereof with a view to promoting efficiency in administration.

- (4) To make recommendations on the above having regard, among other relevant factors, to the prevailing pay structure under the Public Sector Undertakings, State Governments, etc., economic conditions in the country, the resources of the Central Government and the demands thereon such as those on account of developmental planning, defence and national security.

3. The Commission will devise its own procedure and may appoint such Advisers, institutional consultants and experts as it may consider necessary for any particular purpose. It may call for such information and take such evidence as it may consider necessary. Ministries and Departments of the Government of India will furnish such information and documents and other assistance as may be required by the Commission. The Government of India trust that State Governments, Service Associations and others concerned will extend to the Commission their fullest co-operation and assistance.

4. The Commission will make its recommendations as soon as practicable. It may consider, if necessary, sending re-reports on any of the matters as and when the recommendations are finalised.

Ordered that the Resolution be published in the Gazette of India.

Ordered also that a copy of the Resolution be communicated to the Ministries/Departments of the Government of India, State Governments/Administrations of Union Territories and all others concerned.

Sd/-

(P.K. Kaul)

Secretary to the Government of India

ANNEXE. 1.2

(See paragraph—1.2)

(TO BE PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY,

PART I—SECTION I)

MINISTRY OF FINANCE

DEPARTMENT OF EXPENDITURE

RESOLUTION

New Delhi, the 16th Feb., 1985

Magha 27, 1906

No. 5(56)-E.III/83. The Government of India have decided that the Terms of Reference of the Fourth Central Pay Commission as contained in this Ministry's Resolution of even number dated the 29th July, 1983 shall be amended by addition of a new sub-para (5) under para 2 of the Resolution as under :—

“(5) In case the need for consideration of relief of an interim character arises during the course of deliberations of the Commission, the Commission may consider the demand for relief of interim character and make its recommendations thereon taking into account the interim relief already sanctioned by the Government in the Ministry of Finance (Department of Expenditure's O.M. No. 7(39)/E.III/83 dated the 2nd August, 1983. In the event of the Commission recommending any interim relief, the date from which this relief should take effect may also be indicated by the Commission.”

Ordered that the Resolution be published in the Gazette of India.

Ordered also that a copy of the Resolution be communicated to the Fourth Central Pay Commission, Ministries/Departments of the Government of India, State Governments/Administrations of Union Territories and all others concerned.

Sd/-

(S. Venkitaramanan)

Secretary to the Government of India

ANNEXE. 1.3

(See paragraph 1.2)

(TO BE PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY,
PART I—SECTION I)

MINISTRY OF FINANCE

DEPARTMENT OF EXPENDITURE

RESOLUTION

New Delhi, the 8th November, 1985

17th Kartika, 1907

No. 5(56)-E.III/83. The Government of India have decided that the Terms of Reference of the Fourth Central Pay Commission as contained in this Ministry's Resolution of even number dated 29th July, 1983 as amended vide this Ministry's Resolution of even number dated 16th February, 1985 shall be further amended by addition of a new para 2(A) below para 2(5) of the Resolution as under :—

“2. (A) : To examine, with a view to having a proper pension structure for pensioners—both past and future—the existing pension structure; including death-cum-retirement benefits, and make recommendations which may be desirable and feasible having regard, among other relevant factors, to the retirement benefits available to employees of the Public Sector Undertakings, State Governments, etc., economic conditions in the country, the resources of the Central Government and the demands thereon such as those on account of developmental planning, defence and national security.”

Ordered that the Resolution be published in the Gazette of India.

Ordered also that a copy of the Resolution be communicated to the Fourth Central Pay Commission, Ministries/Departments of the Government of India, State Governments/Administrations of Union Territories and all others concerned.

Sd/-

(S. Venkitramanan)

Secretary to the Government of India

**FOURTH
CENTRAL PAY COMMISSION
PUBLIC NOTICE**

Government of India have amended the terms of reference of the Fourth Central Pay Commission by addition of the following para vide Resolution notified in the Gazette of India Extraordinary No. 222 dated 8th November, 1985 :—

“2. (A) ; To examine, with a view to having a proper pension structure for pensioners—both past and future—the existing pension structure; including death-cum-retirement benefits, and make, recommendations which may be desirable and feasible having regard, among other relevant factors, to the retirement benefits available to employees of the Public Sector Undertakings, State Governments etc., economic conditions in the country, the resources of the Central Government and the demands thereon such as those on account of developmental, planning, defence and national security.”

The Commission invites all the associations, unions, institutions, other organisations and interested individuals to send memoranda containing their views on the aforesaid matters, dealing with each subject separately numbering the paragraphs. Ten copies of such memoranda may be sent to the Member-Secretary, Fourth Central Pay Commission, Post Box No.28, New Delhi 110 001, so as to reach him on or before January 15, 1986.

A. K. MAJUMDAR

Member-Secretary

Fourth Central Pay Commission.

(See paragraph 1.9)

Supplementary Questionnaire on amended terms of reference of the Fourth Central
Pay Commission

1. (a) What is the meaning and content of the expression 'pension' ?
(b) What do you understand by the expression 'pension structure' ? What are the different elements constituting a pension structure ?
2. Should there be a minimum pension irrespective of the period of service and date of retirement of an employee ? If so, what should be the amount of minimum pension ?
3. Employees retiring from the same post at different times may be drawing different amounts of pension due to change in emoluments. Is it practicable to bring about equalisation of pension for all such pensioners ?
4. (a) Should pensions be adjusted to changing economic conditions ?
(b) If so, on what basis, by what method and how frequently ?
5. What are your suggestions in regard to grant of relief to pensioners against price rise ? Should it be at a rate different from that admissible to serving employees ?
6. Suggestions have been made that government employees who on absorption in public sector undertakings receive 100 per cent commutation of pension should be given relief on pension on the same basis as other government pensioners. A similar suggestion has also been made by employees who retired on C.P.F. What are your comments ?
7. It has been urged that as and when improvements are made in pensionary benefits of serving personnel, these should also be extended to persons who retired earlier. What are your views in this regard ?
8. How should the pension of armed forces personnel be fixed—should it be related to rank or pay drawn ?
9. Suggestions have been made for providing medical and other facilities to pensioners. What are your views ?
10. It has been suggested that pensioners who are seriously disabled and incapacitated after retirement may be paid some disability allowance. Do you think the grant of such an allowance will be justified ? If so, in what cases and to what extent ?
11. (a) What measures would you suggest for expeditious settlement of pension claims of retired employees ?
(b) What difficulties, if any, are faced in the drawal of pension and what are your suggestions for their removal ?
12. What are your views for simplification and rationalisation of the pension structure ?

(See paragraph 1.14)

List of associations of pensioners which took part in discussions with the Commission

1. National Ex-servicemen Co-ordination Committee,
New Delhi.
2. Indian Ex-servicemen League,
New Delhi.
3. All India P&T Pensioners' Association,
Patna.
4. Posts & Telegraph Pensioners'
Welfare Association,
Chandigarh.
5. National Federation of Railway Pensioners,
Palghat.
6. All India Retired Railwaymen (PF Terms) Association,
New Delhi.
7. Retired Railway Officers Association,
Bangalore.
8. Retired Railway Employees' Association,
Calcutta.
7. Bharat Pensioners' Samaj,
New Delhi.
10. All India Organisation of Pensioners,
National HQ,
New Delhi.
11. Common Cause, New Delhi.
12. All India Central Council of Pensioners' Association,
New Delhi.
13. Federation of Central Government Pensioners' Organisation,
Calcutta.
14. All India Organisation of Pensioners,
Kanpur.
15. Staff Side,
National Council of Joint Consultative Machinery,
New Delhi.
16. Federation of Pensioners,
Madras.

ANNEXE. 1.7

(See paragraph 1.14)

*List of Prominent Persons who attended discussions with the
Commission*

1. Shri G.C.L. Juneja, IAS (Retd.)
New Delhi.
2. Shri T.A.S. Iyer, DG (Police) (Retd.),
Trivendrum.
3. Shri A.V.S. Poullose, (Retd.)
Financial Commissioner, Railways,
New Delhi.
4. Shri M.S. Venkatachalam,
Secretary (CONCERT),
RITES,
New Delhi.
5. Shri R.N. Patro, (Retd.),
Director (F&P),
E.T. & T.D.,
New Delhi.
6. Shri R.C. Barua,
Director (Fin.),
IRCON,
New Delhi.
7. Shri R. Venkataraman,
CGDA (Retd.),
Amritsar (Punjab).
8. Shri S.V.S. Raghavan,
Chairman,
The Minerals & Metals Trading
Corporation of India,
New Delhi.

(See paragraph 1.14)

List of Secretaries to Government of India, other Heads of Departments and Chiefs of the Defence Forces who participated in discussions on pensions with the Commission.

1. Shri K.R. Murthy, Secy.,
Department of Posts,
New Delhi.
2. Smt. P.P. Trivedi, Secretary,
Department of Personnel,
New Delhi.
3. Maj. Genl. V. Awasty,
Director General,
Resettlement,
New Delhi.
4. Shri Badal Roy, Secretary,
Ministry of Labour,
New Delhi.
5. Air Chief Marshal D.A. La Fontain,
Chief of Air Staff,
New Delhi.
6. Admiral R.H. Tahiliani,
Chief of Naval Staff,
New Delhi.
7. Shri D.K. Sangal, Secretary,
(Tele-Communication),
New Delhi.
8. Shri V.K. Dar, Secretary,
Department of Co. Affairs & Public Enterprises,
New Delhi.
9. Dr. Bimal Jalan,
Chief Economic Adviser & Secretary,
Department of Banking,
New Delhi.
10. Smt. Girija Eswaran,
Controller General of Accounts,
Department of Expenditure,
New Delhi.

11. **Shri S. Swaminathan,**
Controller General of Defence Accounts,
New Delhi.
12. **General K. Sunderji,**
Chief of Army Staff,
New Delhi.
13. **Shri Prakash Narain,**
Chairman,
Railway Board.
14. **Shri T.N. Chaturvedi,**
Comptroller & Auditor General of India,
New Delhi.
15. **Shri S. Venkitaramanan,**
Finance Secretary,
New Delhi.
16. **Shri S.K. Bhatnagar,**
Defence Secretary,
New Delhi.
17. **Shri B.G. Deshmukh,**
Cabinet Secretary,
New Delhi.

CHAPTER 2

PENSION AND ITS DETERMINATION

2.1 Even in the limited area of pension, we are surprised to find that we cannot really claim to know every thing. There are some institutions or study centres abroad which examine some aspects of the system, but they are in the nature of studies of social security measures or as adjuncts to those measures and not of purely retirement benefits of Government employees of the type known in our country. Moreover in developed countries, pensions are mostly contributory and non-contributory pensions are restricted to invalidity payments of the nature of social security measures rather than as terminal service benefit. We have in fact not been able to find out whether a separate Commission or Committee on pensions of government employees was set up in any country to examine the meaning, concept and content of the system in so far as past and future pensioners are concerned. At any rate no such examination seems to have been undertaken in our country, for the result of any such effort has not been made available to us.

2.2 While pensions as compensation to former members of the armed forces or their dependents for old age, disability, or death from service causes, are of great antiquity, as old-age, retirement or disability benefits for civilian employees they have been in force in one form or another in some countries for almost a hundred years. We are in fact informed that the 'custom' of providing pensions for aged employees who were no longer able to discharge their duties efficiently, began during the nineteenth century in Europe and then spread to other parts of the World (Encyclopaedia Britannica, Volume 17, 1968). The actuarial theories of pension plans and many of the current practices in connection with them originated in Great Britain, though the United States initiated some modern improvements. The other type of pension, namely, as social security payment for the aged, disabled or deceased citizens, is based on the anxiety to provide for such citizens and we are not really concerned with them as such.

2.3 We are concerned with pensions to former members of the armed forces and civilian employees of the central government. In so far as these employees are concerned, pension is not by way of charity or an ex-gratia payment, or a purely social welfare measure, but may fairly be said to be in the nature of a 'right' which is enforceable by law. That, in fact, is now beyond controversy by virtue of the law declared by the Supreme Court in *Deokinandan Prasad* v. State of Bihar and others* that "pension is not a bounty payable on the sweet-will and pleasure of the Government and that, on the other hand, the right to pension is a valuable right vesting in a Government servant." Their Lordships further declared that the right to receive pension "is property under Article 31(1) and by a mere executive order the State had no power to withhold the same." And also, that the claim to pension "is also property under Article 19(1)(f) and it is not saved by sub-article (5) of Article 19". Reference in this connection may also be made to the decisions in *State** of Punjab and Another v. Iqbal Singh and D.S. Nakara*** and others v. Union of India*. But even though the high pedestal on which pensions stand has been supplied by pronouncements of the Supreme Court, we are constrained to say that no really useful definition of pension has been provided by law.

* (1971) Supp SCR 634

** (1976) 3 SCR 360

*** A.I.R. (1983) Vol. 70. 130 S.C.

2.4 The Constitution deals with pensions of Judges of the Federal Court, Supreme Court, High Courts, Comptroller and Auditor General, officers and servants of the Supreme Court and the High Courts, adjustment in respect of pensions payable to or in respect of persons who have served before the commencement of the Constitution under the Crown in India, etc. Item (17) of Article 366 states that, unless the context otherwise requires, the expression "pension" has the following meaning for purposes of the Constitution,—

"(17) "pension" means a pension, whether contributory or not, of any kind whatsoever payable to or in respect of any person, and includes retired pay so payable, a gratuity so payable and any sum or sums so payable by way of the return, with or without interest thereon or any other addition thereto, of subscriptions to a provident fund;"

Pension has thus been defined to mean pension payable to or in respect of any person and, to that extent, the definition does not help in understanding its meaning. The definition then goes on to say that pension 'includes' retired pay, gratuity and any sum payable by way of return of subscription to a provident fund payable to or in respect of any person. This latter part of the definition thus relates to payment of retired pay, gratuity and subscription, etc., to a provident fund. The definition serves the purpose of bringing pension, retired pay, gratuity and provident fund dues within its reach. Its purpose is to state all those payments which would fall within the ambit of the expression 'pension' so as not to leave any doubt on that account, rather than to state the meaning of 'pension' as such. A cross-reference to the articles where the expression 'pension' has been used, makes that quite clear, so that the definition really serves the purpose for which it has been devised and does so precisely, to the benefit of those for whose benefit the expression has been used. It does not, and is not meant to define pension as one of the terminal service benefits of employees of the central government.

2.5 Pensions of central government employees were dealt with by the provisions contained in,—

- (a) Superior Civil Service Rules;
- (b) Civil Service Regulations;
- (c) Central (Class IV) Services (Gratuity, Pension and Retirement) Rules, 1936; and
- (d) Civil Pensions (Commutation) Rules, 1925.

As a result of the recommendations of the First Central Pay Commission, the Liberalised Pension Rules, 1950, were notified on April 17, 1950, with option to those who had entered permanent pensionable service before October 1, 1938, to come over to those rules or to continue under the earlier regulations and orders. But even the Liberalised Pension Rules were not an independent set of rules. They were in the nature of modifications to the earlier Civil Service Regulations and instructions, and executive instructions continued to be issued following the recommendations of the later Pay Commissions and other decisions of government. Ultimately, a single set of rules called the Central Civil Services (Pension) Rules, 1972 (hereinafter referred to as the Pension Rules of 1972), were issued and came into effect from June 1, 1972. The Civil Pensions (Commutation) Rules, 1925, were replaced by the Central Civil Services (Commutation of Pension) Rules, 1981, and came into force from July 1, 1981.

2.6 As has been stated in rule 2 of the Pension Rules of 1972, they apply to government employees, including civilian employees in the Defence Services, appointed substantively to civil services and posts in connection with the affairs of the Union which are borne on pensionable establishments including employees of Union Territories, but do not apply to,—

- (a) railway servants;
- (b) persons in casual and daily rated employment;

- (c) persons paid from contingencies;
- (d) persons entitled to the benefit of a Contributory Provident Fund;
- (e) members of the All-India Services;
- (f) persons locally recruited for service in diplomatic, Consular or other Indian establishments in foreign countries;
- (g) persons employed on contract except when the contract provides otherwise; and
- (h) persons whose terms and conditions of service are regulated by or under the provisions of the Constitution or any other law for the time being in force.

In so far as the railway employees are concerned, the relevant rules are to be found in Railways Establishment Manual, while the All India Services (Death-cum-Retirement Benefits) Rules, 1958, and All India Services (Commutation of Pensions) Regulations, 1959, apply to members of the all-India Services. Benefit of Contributory Provident Fund is governed by Contributory Provident Fund Rules (India), 1962. We are not concerned with the categories of employees mentioned at (b), (c) and (f) to (h) above.

2.7 The pensionary entitlement of the armed forces is regulated by regulations which have been made separately for the Army, the Navy and the Air Force.

2.8 A reading of all these rules and regulations shows that by far the most easily understood and commonly applicable rules are the Pension Rules of 1972. We looked into these rules to understand the meaning, concept and content of 'pension'. Rule 3 defines 'pension' as follows,—

“3. (o) 'pension' includes gratuity except when the term 'pension' is used in contradistinction to gratuity”.

It is therefore an inclusive definition and serves a limited purpose. The definition in the Railways Establishment Manual is no better, for it states that except when the term 'pension' is used in contradistinction to gratuity, it includes gratuity [2302 (10) R-II]. Rule 2 (h) of the All India Services (Death-cum-Retirement Benefits) Rules, 1958, defines: “pension” to mean “the amount payable monthly under rule 18 to a person who has retired from the service, in recognition of the services rendered by him to Government”. The definition serves the purpose of providing death-cum-retirement benefits and does not cover various other kinds of pensions like invalid pension, pension on absorption in or under a corporation or company, compensation pension, disability pension.

2.9 We have gone through the definition of 'pension' in the Pension Regulations for the Army. Regulation 2-A(4), which contains definitions of the terms used in Chapter I, states that 'pension' shall “include gratuity except when it is used in contradistinction to term gratuity”. This is also an inclusive definition. The other difficulty is that the Pension Regulations for the Army do not apply to the former Kings Commissioned Indian Officers (including those of the Indian Medical Service transferred to the Army Medical Corps). The Navy (Pension) Regulations, 1964, do not contain the definition of 'pension' although regulation 3 mentions the kind of retiring and other benefits admissible thereunder. Regulation 2-A (4) of the Pension Regulations for the Air Force (which do not apply to pre-1935 Commissioned officers) defines “pension” to “include gratuity except when it is used in contradistinction to the term gratuity”. The definition is quite similar to the definition in Pension Regulations for the Army mentioned above.

2.10 In our anxiety to understand the meaning of “pension” we have gone through the Pensions Act, 1871, as amended by the Pensions (Amendment) Act, 1982, which was the earliest Act to con-

solidate and amend the law relating to pensions and grants by government of money or land revenue. But it does not define pension. All that section 3, which is the interpretation section, provides is that the expression "grant of money or land—revenue" includes any thing payable on the part of the government in respect of any right, privilege, perquisite or office. Read with section 4 of the Act which bars suits relating to pensions, that may be taken to mean that 'pension' has been mentioned as a benefit separate from grant of money or land revenue. So, the Pensions Act is of no use in determining the meaning of pension.

2.11 It will thus appear that although the Act, the rules and regulations mentioned above have been made to govern the grant of pensions, they do not contain a definition of the term which could be said to explain its meaning, concept or content and be of general application for the purpose of examining the existing pension structure with a view to having a proper structure for the future as required by the terms of our reference. We have therefore to undertake the task of defining the term for purposes of our report, for it will not be fair to make our recommendations without first undertaking that basic task at the threshold.

2.12 As we have pointed out, the custom of providing pensions is ancient, in so far as it relates to former members of the armed forces, but the system of providing pension to aged employees began in the 19th century, while pension as a social security payment for the aged or disabled citizens is of recent origin relatively.

2.13 But the concept of 'pension', however old in its origin, had the latent and real desire to provide for an eventuality—known or unknown. The known eventuality was old age and probable reduction in earning power, while the unknown eventuality was disability by disease or accident or death. Its real purpose was security, even though the beginning was oblique, undiscernible and faint. But the germ of an effort to provide security ran through the provision and it is natural that it should have grown and flowered with the development of human understanding and desire to look after and provide for those who deserved it, for man has constantly been seeking means by which to enhance his economic security. But the extension of the pension provision from military service to civilian public employment, resulted largely from consideration for the employees and the pressure of their organisations. Some benevolent employers go to the extent of regarding pensions as an absolutely indispensable complement of wages—as a terminal benefit. That, however, is apart from another aspect bearing on pensions—the social aspect. The demographic structure of the population is changing because of the greater expectation of life. Thus those who are now in middle age are going to be nearly twice as big an economic burden to their children as their parents are to them. The problem, in such cases, has been tackled as a social obligation, including social insurance for citizens generally.

2.14 While such is the conspectus of our problem, we find it difficult to make substantial headway for its solution without settling on the meaning of 'pension' within the ambit of our terms of reference for we can proceed to the next stage of understanding the 'concept' and stating the 'content' of 'pension' on that footing.

2.15 What emerges as a result of our study is that the notion and meaning of 'pension' has not been static and has changed considerably. Speaking generally, it may well be said that it has become more restricted. We are told that in the eighteenth century or earlier a 'pension' was simply a source of income. In his Dictionary of 1755, Dr. Johnson said : 'In England it is generally understood to mean pay given to a State hireling for treason to his country.' Pensions used to be given to men placed near the English Throne and to Dukes, in addition to persons of less dignified character. The word came to be applied to grants to superannuated 'established' civil servants who were too

old to work. The basic idea was to give a sense of economic security and independence to a civil servant so as to make his functioning more efficient. The meaning of 'pension' therefore changed over the years and became more and more generous in the sense of providing not only pecuniary advantage to the superannuated employee, but payments for widows and other dependents, etc.

2.16 We have made use of dictionaries to understand the meaning of 'pension'. The most useful definition for our purpose is that contained in the Century Dictionary which is an encyclopaedic lexicon of the English language. There (in Volume V) pension has been defined as follows,—

"2. A stated payment to a person in consideration of the past services of himself or of some kinsman or ancestor; periodical payment made to a person retired from service on account of age or other disability, especially, a yearly sum granted by a government to retired public officers, to soldiers or sailors who have served a certain number of years or have been wounded, to the families of soldiers or sailors killed or disabled or to meritorious authors, artists, and others."

This is not an 'inclusive' definition of the nature contained in the Pension Rules of 1972 or the other rules mentioned above, and seems to define 'pension' in a satisfactory manner in so far as our task is concerned for we are not really concerned with pensions of non-government employees or of citizens in general as socio-economic measures. We may, however, venture to say that the definition in the Century Dictionary is slightly long and may conveniently be reduced as follows,—

"A pension is a series of periodic payments to a person, usually payable monthly for life, for past services of himself or another".

This definition will cover not only ordinary superannuation pension, but other retiring pensions, invalid pension, compensation pension, compulsory retirement pension, disability pensions and family pensions which are the various kinds of pensions admissible at present.

2.17 In the very nature of things, every employee who lives long enough, reaches a stage of diminished out-turn of work or what may generally be called non-productive years. That may, speaking generally again, be said to be the responsibility of his employer for whom he has spent the best years of his life. In a welfare State, that may also be said to be the responsibility of the government (where he is not in its employment) and, in more modern society, it may also be said to be the responsibility of the individual. So all three namely, the employer, the government and the employee or one or the other of them, may be expected to contribute towards the pension according to the social or administrative set up of the country or society where the individual undertakes the service, but the one common feature and object of pension is to provide for the old age of the employee for the simple reason that time has eroded his capacity to earn and he is unable to provide for himself. In a country like ours where we have solemnly resolved to constitute it into a "Socialist" republic and to secure to us all social and economic justice (Preamble), it behoves the government to take care of its employees by providing terminal benefits like retirement pensions when they become entitled to them. We may refer to the directive principle of the State policy enshrined in Article 39(a) of the Constitution that the State shall, in particular, direct its policy towards securing that the citizens have the right to an "adequate means of livelihood". This in itself is a beacon of light and hope to an aged employee who has given his best to the service of the State and who by the unavoidable law of nature falls in the ever increasing trap of old age and its consequences which, pushed to the extreme, would deprive him of his vitality and extinguish his power and capability to earn his livelihood. If, such a citizen is an employee of the State, is it out of the ordinary, and not as of a Constitutional directive, that the State should appreciate its duty to provide for him by means of a pension and/or other terminal benefit? It inheres in the concept of such a provision that it should be "adequate". But to put the

matter beyond controversy, clause (a) of Article 39 itself directs that the means of livelihood shall be "adequate". And for an old and infirm employee with ever diminishing capacity to earn, the means of livelihood has to be within his reach. The concept of 'pension' therefore carries within it the germ of certainty, periodicity and "adequacy". But what is adequate, depends on a number of factors and one important factor is the capacity or financial resources of the employer. We had occasion to refer to Article 43 of the Constitution while considering the question of 'living wage', and all that we could say was that it was possible, even in our circumstances, to make an effort to inch towards that elusive goal. We think we may reasonably say the same for the pensionary benefits of central government employees and content ourselves by hoping that the effort to provide adequate pensions to them will continue. Ours is a Socialist State and the fundamental aim of social security is to give individuals and families the confidence that their level of living and quality of life will not, in so far as possible, be greatly eroded by any social or economic eventuality, including the age of superannuation or on-coming disability. The aim should really be provided that even in retirement, if the employee has been careful and prudent, he may live and maintain his residuary family in a way and at a standard considered reasonable by the society where he belongs, taking into account and tendency for prices to increase by inflation or, in other words, making cost-of-living adjustments as and when necessary. If we may say so, this is a concomitant of the very concept of pensionary benefit.

2.18 As is obvious, the concept of pension involves recognition of the principle that there is an obligation to help the person who was in public employment and had reached the age of superannuation or been incapacitated from rendering further service. At the same time, as has been explained in Encyclopaedia of the Social Sciences, volume eleven, "administrators and civic leaders interested in the improvement of government services formulated the idea of the pension as an efficiency device, necessary for the orderly and humane elimination of superannuated and disabled employees no longer able to function efficiently, for the proper operation of the system of promotions, for the attraction of a better type of employees and for the improvement of working morale." The concept of pension is thus not restricted to the benefit which accrues to the employees personally but is more pervasive.

2.19 Before proceeding further, we think it will be advantageous to extract the following paragraph also from the *Encyclopaedia of the Social Sciences, volume eleven, on the doctrinal approach to the question of pensions,—

"A doctrine recently advanced and more far reaching in its implications regards the public service as the logical pioneer in the meeting of the old age problem as it affects the wage earner in modern society. This doctrine considers a pension as a compensation paid to the employee for the gradual destruction of his wage earning capacity in the course of his work. Retirement being a proper charge against the employee's entire period of active service the employer should make contributions toward the employee's eventual retirement during each year of service of the employee, in a manner similar to that in which he annually sets aside a reserve against depreciation and obsolescence of his plant and machinery. Pensions, according to this doctrine, are an absolutely indispensable complement of wages."

2.20 But even though the government service pension scheme in our country is non-contributory, it has been contended, again by way of doctrinal approach, that this is not really so and that some allowance is made for the missing contribution while determining the salaries. We do not, however, consider it necessary to pursue any such inquiry for purposes of our report.

2.21 The fundamental question, however, remains: What is the aim of pensions?

Professor Harry Calvert, in his "Social Security Law", second edition, has started the chapter (9) on "Retirement Pensions" with the basic truth that "the most predictable source of need is the inability to provide for oneself due to old age. One may, with luck, live and yet avoid unemployment or widowhood—not senility". Man is therefore looking for means to provide economic security in the fall of his life and that stands out as the prime aim of pension. It may be that a prudent person may make some personal savings, and it may also be that retirement is postponed for a while, but these are partial solutions in given cases and cannot be of universal application. Prices undergo change and if it is an upward trend, as is likely, the aim of pension should also be to maintain its level as far as possible.

2.22 But is not level of living also of importance? Speaking generally, the pensioner is an elderly person, and it may well be that his family responsibilities have lessened with the passage of time, but should it not, all the same, be the aim of pension to provide a reasonable standard of living to him and his family? Medical facilities often become more and more necessary and costly as age advances. It may therefore be said with some justification that provision of such facilities should also be the aim of a pension scheme. But that will largely depend on the capacity of the State to provide for them. We content ourselves by saying that the aim of pensions is both social and economic and while the government tries to do what it can, it will not be unreasonable to expect that the employee will behave like a prudent man and make such additional provision for the discharge of his responsibilities in old age as may be necessary.

2.23 We do realise that it is not always possible to foresee the socio-economic changes and it may well be that they may cause severe dent in the plans of an employee. It may therefore be reasonable to expect that a scheme of pension adjustment may be thought of in advance. In the case of employees of the government, it will be reasonable to expect that the method of adjustment will be inspired by considerations of fairness and social justice within the resources of the State.

2.24 That leaves the content of 'pension' for consideration. At the inception, dating back to olden times, pension was essentially a grant by the employer for service rendered, or as a matter of patronage. Pension is now as of right, and/or by purchase or contribution according as the society has developed or the individual has thought it proper to plan for his old age. But pension of the type defined by us for purposes of our examination and report is restricted to periodic payments for past services rendered by the employee himself or by the spouse or parent of the beneficiary. The benefits are of various kinds and we shall refer to them elsewhere.

2.25 As the basic purpose of a scheme of pensions is to give the employees and, through them, their families, the confidence that they will not be left in penury when the bread-winner retires from service or is incapacitated or dies, and that the State will help them to maintain a level of living which is not far below the level to which they had been accustomed, certain other expectations may be said to arise. These expectations may not be obligatory, or even consequential, but it may be difficult to say that they are unreasonable. Thus, the expectation that the employer will try to provide some medical help will not be unjustified. The extent and degree of that help may depend on the capacity or resources of the employer, or the facilities available at the place where such help is required, but help to an ailing retired employee may be said to fall within the content of a pension scheme. So also, it will not be unreasonable to expect that where the employee dies while in the service of the employer, or as a result of an ailment or injury arising out of employment, the employer will provide the dependants with a family pension for such length of time or period as the circumstances of the family may require. Allied with this is the concept of group insurance. A progressive and forward looking employer may think of benefiting his employees by providing or encouraging some such scheme to supplement the benefit arising out of pension.

2.26 Where the conditions of service of an employment are rigorous or less advantageous or require the employees to retire at a very early age, the employer may think it necessary not only to give them certain specified facilities after retirement, but also make genuine effort for their rehabilitation in other employment or occupation. Then there are certain employments where the employer (like Railways) may think it reasonable and practicable to provide limited travel and transport facilities to their retired employees.

2.27 The 'content' of pension is therefore variable according to the conditions of the service, the reasonable expectations arising out of it and the resources of the employer. In a well developed society, where social security and welfare is becoming an ever growing obligation of the State, the content of 'pension' is also growing from day to day. In fact in some countries like United Kingdom the right of pensioners of and above the age of 80 to an extra provision for the extra and longterm needs of the aged, was recognised by way of 'age addition'. The content of social security 'pension' is therefore ever widening as it should.

2.28 Broadly speaking, there are two methods available to the employer to meet his financial commitment for pensions: the "pay-as-you-go" (PAYG) or current disbursement approach, and the "funded" plan approach. Under PAYG, the employer pays each retired worker his pension as each payment becomes due, the outlay being provided out of current operating income, and it is treated as part of wage or salary costs. That is the approach adopted in our country for payment of the pensions of central government employees. It is the State, or the society as a whole, which supplies the resources for payment of pensions from its revenues. Under the "funded" plan approach, the employer estimates the amount of future expenditure on pensions and sets aside the necessary funds for it. In most developed countries, the funded plans are contributory.

2.29 Thus, in its meaning, concept and content, payment of 'pension' is an effort by the employer to give what he can to one who has served him, or to his dependents. A benevolent or good employer makes an honest effort to maximise the benefit and is able to obtain efficient service. The other employers get less in return and are often enmeshed in difficulties.

2.30 But with the best of effort and intention, the task of determining pension is difficult. It has to be appreciated that the management of a large organisation with five million employees is not an easy task, and government may be better understood as a large, complex, public organization and not merely just another large organisation. The determination of terminal benefits of so many employees will be difficult without first deciding what they should provide. Irving H. Dearnly, while writing for "The Unfinished Agenda for Civil Service Reform—Implications of the Grace Commission Report" (The Brookings Institution, Washington D.C.), observed that a retirement plan should be intended to provide an orderly means of retirement for older employees. His views* have been summarised as follows,—

"The plan should provide a measure of financial security that is on the average competitive with that provided by major competitors for employment. It should take into consideration both social security and some portion of personal savings so that the system approximates the income needed to maintain the preretirement standard of living for career employees without being excessive. In addition, the retirement system should consider an employee's contribution to the organisation in terms of years of service and the employee's salary at the point of retirement. Furthermore, the system should be favourably regarded by employees and retirees".

We subscribe to these objectives, but they have been stated in general terms.

2.31 The question is: what factors should be taken into consideration for determination of pension? The Third Pay Commission** made a mention of the "principles governing grant of pension". In paragraph 31 of Chapter 60 on "Death-cum-Retirement Benefits", they stated that there were "certain underlying principles governing the grant of pensions" and followed that up by saying that an employee was not eligible for pension unless the qualifying service was paid for and was rendered in a post under the government and the employee was the holder of a substantive appointment at the time of retirement, that pension was not sanctioned as a matter of course and the sanctioning authority had the power to make such reduction in the amount of pension as it thought proper, and also that future good conduct of the pensioner was an implied condition of every grant of pension and its continuance in future. If we may venture to say so, what the Third Pay Commission mentioned were rules for 'eligibility' to claim pension, or 'conditions' for grant of pension, but they may not, perhaps, be said to be the 'principles' for the grant of pension. We realise how difficult it is to find out and enunciate the fundamental or essential nature of 'pension', or its doctrinal approach. We have made a mention of the meaning, concept and content of 'pension' to the extent we could, but what we have mentioned is not a statement of the principles governing the grant of pension. As in the case of determination of pay, we feel that it will serve our purpose if we simply mention the 'factors' which should be taken into consideration in determining pension and we content ourselves by doing so.

2.32 The age at which various categories of employees of the central government retire, is one of the factors to be taken into consideration for determining pension. Thus, if an employee retires at the early age of say 33 years because of the exigencies of his service and for no fault of his own, it is a factor to reckon whether his pension should not have an element of compensation for his predicament for he is left without employment at a very early age when he may not have been able to meet his family responsibilities and make adequate provision for his life after retirement. On the other hand, it will also be a factor to reckon that he will have better prospects of employment at the early age of 33 years than a person retiring at the age of 58. The age of the employee is therefore a factor to be taken into consideration in determining pension.

2.33 The state of health of the employee is another factor. Thus, if an employee is retired because of physical disability, it will be worth examining whether the disability arose in the course of employment and because of it, or it had nothing to do with his employment or its nature. But even where the disability is unconnected with the employment but is substantial, a kind or good employer may take a compassionate view in providing appropriate relief in such cases.

2.34 Another factor to be taken into consideration is length of service of the employee. Thus, a person who retires after 30 years of service or more, will be justified in thinking that he is entitled to more pension than a person who retires after 20 years of service for if pension is given for past service of the employee, it is natural to expect that it will increase with every appreciable increase in its span. Higher pension is, in fact, often regarded as an incentive to long service. It may also be that the rules or conditions of service of a person may provide for his retirement at an advanced age when there may be no prospect of his reemployment or no means for adding to his income. It will not be unreasonable for such an employee to hope that these circumstances will be taken into consideration in determining the pension.

2.35 The pay which an employee gets, is also a relevant factor for, as has been stated in "Public Sector Pension" by Gerald Rhodes*, pension "aimed to provide in most cases an allowance somewhat smaller than the pay which the man had been receiving". Pension is, in fact, often calculated

** Report of the Third Central pay Commission, Volume IV Chapter 60, page 46.

* Page 47 f

on the basis of pay last drawn, or the average pay over a prescribed number of years of service. Some good employers may think of going to the extent of granting a pension equal to the pay last drawn by the employee. But the amount of pay is a factor to be taken into consideration.

2.36 The state of development of the society in which the employee serves is another important factor which bears on his pension. For instance, in England where the institution of pension started as a service benefit for certain special groups like Civil servants, the State ultimately intervened to provide pensions for the citizens generally. All were to contribute and all were to be entitled to the benefits of the scheme, and as a White Paper* put it, that gave "concrete expression . . . to the solidarity and unity of the nation". Public servants were thus brought for the first time within the scope of the State insurance, paying contributions and receiving benefits on the same terms as everyone else. That, in fact, took the pension of the lower paid staff very near the retiring salary. So the economy of the State is a factor which bears on determination of pensions. Connected with this is the other factor whether the employee is entitled to any other social benefit in addition to pension. It will be reasonable to take that also into consideration while examining the sufficiency or otherwise of the pensionary benefit.

2.37 The political philosophy to which the State has committed itself is also a relevant factor. Thus, in a country like ours where the Preamble to the Constitution itself declares that the people had solemnly resolved to constitute it into a "Socialist" democracy and to secure to all of the its citizens "Justice, social, economic and political", it will be quite reasonable to hope that an honest effort will be made to achieve that objective. We have referred to this and the Directive Principles of State Policy mentioned in Part IV of the Constitution while dealing with the factors which should be taken into consideration in pay determination, in Chapter 7 of Part I of our Report, and it is not necessary to refer to them again. So if securing a 'living wage' to all workers is an endeavour to make, and if we have the will to inch towards that ideal even though it is known to be elusive, we shall be justified in remembering it while considering the question of determination of pensions. We should not, however, be understood to say that pension should be a living wage. We have not said so even in the case of pay, and could not possibly say so in the case of pension. All that we want to convey is that the political philosophy of the State is also a relevant factor in determination of pension.

2.38 In some countries, some pensions are contributory, or, at any rate, some separate schemes of pensions are contributory. People subscribe to such schemes because of the additional benefit they provide. It may also be that by providing for some element of contribution to an otherwise simple service pension like the one admissible to a government employee, a higher pension may be admissible to him. Such contributions may be optional, or compulsory, and may or may not provide tax relief. But the existence of such schemes may be a relevant factor in determining what will be a proper or a suitable scheme of pensions.

2.39 Then it is also of relevance to take into consideration any benefit that may be available in addition to pension, after retirement. Thus, if gratuity or free or concessional medical treatment is admissible to a pensioner, or if he is entitled to the supply of provisions (or some of them) at a concessional rate, that also is a factor to reckon.

2.40 Whether provision has been made for widows is quite a serious question in these days when a comprehensive view is taken of the pensionary benefit. Where such a benefit exists, the employee may content himself with a lesser pension for himself. Widows, no doubt, try to take up employment, but the benefit of a pension for them, or for the family is an attractive benefit by itself and deserves to be taken into consideration.

* Social Insurance. Part I, H.M.S.O. 1944

2.41 Traditionally, pensions were unalterable, but that was because the value of money was stable. Now that this has ceased to be so, a serious question for consideration is whether pensions should be adjusted in line with rise in cost of living, or inflation. It has to be appreciated that while a pensioner and an incumbent employee both suffer from erosion of the real value of his income, the pensioner is less equipped to find a remedy because of his age and other disabilities to make good the deficit. It seems therefore that there is no escape from the concept of adjustment in view of the persistent rise in the cost of living, and we feel that the sooner this is realised, the better. What should be the extent to such adjustment, is another matter and depends on the magnitude of the problem and the resources of the employer. But if the concept of revalorisation is accepted as a factor in the determination of pension, it will provide greater relief and satisfaction to the employees and reduce individual uncertainty. As is obvious, a person may be willing to accept a somewhat lower rate of pension calculation if he is assured that its value will not decline appreciably.

2.42 There has been a steady increase in the number of pensioners. And that trend is likely to continue not only because of the steady growth in the number of central government employees but also because of higher expectancy of life in general. The resources of the employer are therefore of prime importance in determining the quantum of pension in a pension scheme for the obvious reason that no employer can be expected to pay what it cannot afford. We had occasion to deal with this aspect of the matter in Chapter 4 of Part I of our Report. Some countries have thought it necessary to examine the working of their pension schemes, not only with reference to the arrangements for their funding but also because of the desire to provide a better alternative wherever possible. We have made a reference to the PAYG (pay-as-you-go) method instead of funding. It may be worthwhile mentioning that in its recent Green Paper on Social Security, the British government has proposed the phased abolition of State Earnings Related Pensions Scheme (SERPS). That has been done not merely because of its future cost but also with a desire to "reinforce personal independence . . . widen people's opportunity to make their own choice [and] . . . encourage . . . earning and saving". We do not have SERPS or any scheme like it in our country, but the objective behind the Green Paper is there to ponder over. It is also remarkable that while the Social Security Act of 1985, professed to amend the law relating to occupational pensions, etc., the Green Paper on Social Security came soon on its heels. Its purpose was, no doubt, to raise a debate on SERPS, but it highlights hosking's* observation that "Britain is a country of changing attitudes". We may not think of such quick changes in our perception on pensions, but we should not at least think of giving a much too rigid or circumscribed meaning to 'pension for, as it happens, it is the last resort of a person who has given his best to his employer and has nowhere else to look for his sustenance.

2.43 One more factor deserves particular mention. It has been declared to be the law of the land in Nakara's case that pensioners form a class by themselves and this class is not divisible for purposes of entitlement and payment of pension into those who retire 'before' and those who retire 'after' certain date arbitrarily fixed for the purpose. Any such classification will be unrelated to any principle and will be discriminatory and violative of article 14 of the Constitution. This being the law, the factor to reckon is that if the formula for computation of pension undergoes a change, it will work back for the benefit of those pensioners who had retired earlier and were not entitled to its benefit when they retired.

2.44 But whatever the scheme of pension, care will have to be taken to ensure that it is not such as to act as a disincentive to savings or breed waste or extravagance or undermine the incentive to work, including re-employment or part-time work wherever available. It may, in fact, be in the interest of the society that the State should explore the possibility of utilising the experience and expertise of its good and able pensioners as best as possible and it will not be unreasonable to expect that the pensioners will look on such opportunities not merely as means for earning what they can but for

* Pension Schemes and Retirement Benefits, third edition, page 1.

serving their country even in retirement and making good use of their capacity capability as useful citizens of the society. At any rate that may serve as an opportunity to avoid individual frustration and ebbing self-confidence.

2.45 All in all, good pensions, like any thing good should be earned ^{dur-} working life and valued during retired life.

CHAPTER 3

RETIREMENT BENEFITS OF EMPLOYEES UNDER STATE GOVERNMENTS

3.1 We are required to examine the pension structure for pensioners—both past and future—having regard, among other relevant factors, to the retirement benefits available to employees of state governments, etc. We therefore considered it necessary to take note of retirement and post-retirement benefits admissible to state government employees.

3.2 With a view to collecting the information from the states in regard to pension structure and related matters, a proforma was devised and sent to all the state governments for completion. We have received, inter alia, information on different kinds of pensionary benefits available to state government employees. Most of the state governments have generally been following the central government pattern for grant of pensionary benefits to their employees. Even changes made from time to time in various rules with regard to these benefits by the state governments appear to have been influenced by the improvements made by the central government. Some of the differences in the pensionary benefits of the state government employees have been discussed in the succeeding paragraphs.

3.3 The benefits available to retiring state government employees are pension, gratuity, leave encashment and commutation of pension. There is also provision for payment of family pension. The concept of reckonable pay in the preceding ten months is generally being used in the determination of pension by the state governments. The governments of Karnataka, Orissa and Rajasthan take into account the last pay drawn instead of average pay of 10 months for determining the amount of pension, whereas Gujarat government permits averaging to be done on the basis of emoluments drawn in the last 10 months or 20 months or 36 months whichever is beneficial to the employee. In regard to qualifying service for earning full pension, which is generally 33 years, the governments of, Jammu and Kashmir, Kerala and Nagaland permit full pension for qualifying service of 30 years.

3.4 The determination of pension on slab system is prevalent in most of the states. In Haryana and Karnataka, the pension is worked out at 50 per cent of the average emoluments and last pay drawn respectively. In Sikkim, the rate of pension equals average pay multiplied by the number of completed years of service divided by 80. Most of the states have prescribed both the lower and the upper limits of superannuation pension. The minimum pension ranges between Rs. 150 and Rs. 334 per mensem at varying index levels under the state governments. Most of the states have an upper ceiling of pension of Rs. 1500 per month as was the position under the central government before March 31, 1985. The upper limit on pension was Rs. 1750 per month in Kerala and Rs. 1100 per month in Meghalaya.

3.5 Most of the states allow commutation of pension to their employees. In Kerala, 50 per cent of the pension is allowed to be commuted whereas it is generally 1/3rd of the pension in other states. Restoration of commuted portion of pension is not permitted under central government. However, a number of states have permitted the restoration of commuted pension after the stipulated period ranging from 10 to 15 years or on attaining the specified age of about 70 years or so.

3.6 Most of the states are following the central pattern for payment of gratuity. The maximum amount payable on retirement/death in Andhra Pradesh is Rs. 30,000; in Assam, Gujarat, Haryana and Meghalaya, Rs. 36,000; in Jammu and Kashmir and Tripura Rs. 40,000; in Kerala, Rs. 45,000

and in Sikkim, Rs. 25,000. In Haryana and Punjab, Payment of gratuity is based on 17 1/2 months emoluments for class IV employees. In Madhya Pradesh, maximum gratuity payable is limited to 15 months emoluments while Andhra Pradesh allows payment of gratuity to a maximum of 20 months emoluments.

3.7 Most of the states are following the central pattern for grant of family pension with a ceiling. Some of the states have not adopted the slab system followed by central government for calculation of family pension. In Haryana, the family pension is calculated at the rate of 50 per cent of normal pension subject to a minimum of Rs. 125 and a maximum of Rs. 500. In Orissa and Tamil Nadu, the normal family pension is 30 per cent of the last pay drawn whereas in Madhya Pradesh, the family pension is calculated at the rate of 50 per cent of the last pay drawn or of the amount of pension calculated by giving weightage for service the employee would have rendered till superannuation.

3.8 The post-retirement benefit generally given to pensioners is dearness relief on pension. Most of the states appear to be providing dearness relief to their pensioners on a basis similar to that provided under the central government. However, in Tamil Nadu, the relief to pensioners is given on the same basis as for serving employees. There is considerable variation in regard to the medical facilities given to pensioners under the different state governments.

3.9 Thus, we find that the retirement benefits in different states are generally on the existing central government pattern except in regard to the restoration of commuted value of pension. We have kept this in view while formulating our recommendations for central government employees and pensioners.

CHAPTER 4

RETIREMENT BENEFITS OF EMPLOYEES IN PUBLIC SECTOR UNDERTAKINGS

4.1 We are required to examine the pension structure for pensioners—both past and future—having regard, among other relevant factors to the retirement benefits available to employees of the public sector undertakings, State Governments, etc. The benefits available to employees of public sector undertakings (PSU) at the time of retirement are mostly in the form of employer's contribution to provident fund, gratuity and facilities for leave encashment. Family pension scheme has also been adopted by some of the PSU under the provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952; this scheme is different from the family pension scheme applicable to Central Government employees.

4.2 As already mentioned in Part I of our report, the term PSU does not appear to have been defined as such. We have restricted our examination to the undertakings covered by the Public Enterprises Survey of the Bureau of Public Enterprises and a few financial institutions including insurance corporations. With a view to collecting information from PSU in regard to retirement benefits and other related matters, a proforma was sent to them. We received information from over 150 institutions.

4.3 The employees in PSU are mostly governed by the contributory provident fund scheme (CPF). The CPF and other retirement benefits are available to public sector employees under various clauses of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 as amended from time to time. The Employees' Provident Funds scheme framed under the provisions of this Act stipulates that a contribution varying from 6.25 per cent to 8.33 per cent of the monthly salary (basic wages plus dearness allowance) together with a matching contribution from the employer will be deposited in a public fund to be operated by the Central Government. The rates of contributions to CPF (both employees' and employers') are mostly either 8 per cent or 8.33 per cent of the monthly salary. The present rates of interest on accumulations in provident fund range from 10 to 12 per cent with a few exceptions.

4.4 A few PSU have limited pension schemes. These are : (i) Bharat Process and Engineers Ltd., (ii) Garden Reach Ship Building Engineers Ltd., (iii) Lagan Jute Machinery, (iv) Madras Fertilizers Ltd., and (v) Madras Refineries Ltd. Even in these undertakings, the pension schemes have some limitations/restrictions e.g. pension is in lieu of gratuity in some cases, in some other cases it is restricted to clerical staff only. The Madras Refineries operates a pension fund wherein the annual contributions are made only by the employer and the pension is payable to all employees including officers. The information given by Madras Refineries in this regard is at Annexe 4.1.

4.5 There are a few PSU where the staff originally came on deputation/transfer from Central Government departments. Such staff have been permitted to retain their pensionary benefits. Examples of these are Food Corporation of India, Hindustan Salts Ltd. and Central Coal Fields Ltd.

4.6 Many of the PSU have introduced in 1971 a family pension scheme for employees dying in harness. The benefit of deposit linked insurance scheme has also been extended to the employees of PSU in 1976. The family pension is being paid under the provisions of Employees' Family

Pension Scheme, 1971 formulated by the Central Government under the provisions of Employees' Provident Fund and Miscellaneous Provisions Act, 1952. The details of the scheme are given in the Annexe 4.2.

4.7 Besides the CPF and family pension benefits, the public sector employees also have a gratuity scheme framed under the Payment of Gratuity Act, 1972. Gratuity is payable on completion of continuous service of 5 years on superannuation, retirement, resignation and death during service. Amount of gratuity is calculated at the rate of 15 days' wages for the last month for every completed year of service or a part thereof in excess of 6 months. The maximum gratuity payable is limited to 20 months salary i.e. basic pay+DA. A few undertakings follow the Central Government pattern for payment of gratuity, wherein the gratuity amount is restricted to 16-1/2 months' salary. There is no ceiling on gratuity amount in the insurance corporations viz. General Insurance Corporation, Life Insurance Corporation, etc.

4.8 In regard to post-retirement benefits, there are a few undertakings which permit medical treatment/reimbursement on payment of specified rates of contribution by the retirees.

ANNEXURE 4.1

(See paragraph 4.4)

Details of Pension under Superannuation Scheme in Madras Refineries Ltd., Madras

The Table below indicates the Fund for each employee.—

The Deferred Annuity—with return of premium scheme rates—single premium—from 1-11-1974—adjusted rates

Deferred period	Factor	
1	1.000000	1.000000
2	1.039728	2.039728
3	1.125226	3.164954
4	1.207933	4.372887
5	1.292474	5.665361
6	1.380758	7.046119
7	1.473861	8.519980
8	1.572154	10.092134
9	1.676418	11.768544
10	1.787406	13.555950
11	1.904907	15.460857
12	2.030210	17.491067
13	2.163612	19.654679
14	2.305103	21.959782
15	2.456037	24.415819
16	2.6165	27.032319
17	2.787845	29.820164
18	2.969474	32.789638
19	3.163756	35.953394
20	3.369045	39.322439
21	3.589762	42.912201
22	3.823361	46.735562
23	4.072822	50.808384
24	4.338583	55.146967
25	4.6215	59.768467
26	4.921018	64.689485
27	5.243014	69.932499
28	5.581291	75.513790
29	5.948486	81.462276
30	6.334326	87.796602
31	6.743998	94.5406
32	7.18236	101.72296
33	7.656795	109.378755
34	8.153282	117.532037
35	8.678296	126.210333
36	9.240436	135.450769
37	9.851246	145.302015
38	10.481082	155.783097
39	11.173.184	166.956281
40	11.889193	178.845474

The First column indicates the term of future service. The second column gives the amount to which a unit premium accumulates to at the end of the number of years indicated against the same. The third column gives the amount to which payment of unit premium every year for the appropriate term will accumulate. For example, an employee, whose date of birth is 1-8-1953, joins the superannuation scheme on 1-11-1978, his future service is 33 years (retirement age 58 years). Let us assume the company contributes Rs. 500/- as on 1-11-1978. On a reference to the Table for term 33 years, it can be seen that the payment of Rs. 500/- would accumulate to Rs. 3,827.90 (7.65595×500) on normal retirement date. Let us assume that the contribution in respect of the member increases to Rs. 550/- per annum from 1-11-1979 onwards. As on 1-11-1979, his term of future service would be 32 years. Referring to the third column of the Table against the term 32, it is seen that a payment of unit premium every year for 32 years would accumulate to 101.72296. Assuming that the premium remains constant at Rs. 550/- per annum from 1-11-1979, these premia would accumulate to $550 \times 101.72296 = 55,947.63$. The total accumulation in respect of the member would be Rs. 55,945.63 + Rs. 3,829.90 = Rs. 59,775.53. The pension per annum payable monthly for 15 years certain and life thereafter for retirement age 58 corresponding to an accumulation of Rs. 1,000/- is Rs. 85.80. Therefore, the member would be eligible for a pension of Rs. 59,775.53 / $1000 \times 85.80 =$ Rs. 5,128.74 per year. The monthly pension is 1/12 of this amount, viz. Rs. 427.39.

Alternatively, with the same dates of birth and joining the scheme as above, and if the company's contribution as on 1-11-1978 is Rs. 1,000/- and the annual contribution from 1-11-1979 is changed to Rs. 1,100/- then the monthly pension payable is Rs. 854.79. This pension is payable for fifteen years certain and thereafter for life. A covered employee, at his option, can commute upto 1/4 of the pension amount and the uncovered employee upto 1/3 of the pension amount. If commutation is opted, then the monthly pension will get correspondingly reduced by 1/4 in the case of covered employees and by 1/3 in the case of uncovered employees.

(See paragraph 4.6)

Salient features of the Family Pension Scheme, 1971 formulated by the Central Government in exercise of the powers under Section 6A of the Employees' Provident Fund & Miscellaneous Provisions, Act, 1952.

According to the Scheme, from an out of the contributions payable by the employer and the employee to the CPF, a part representing 1-1/6th per cent of the employee's pay (i. e. basic pay plus dearness allowance) along with an equivalent amount from and out of the employers' contribution is remitted to the Family Pension Fund Account maintained as a public account by the central government. The central government also contributes at the rate of 1-1/6 per cent of the pay of the members of the fund to this account. Monthly rate of family pension in the event of death before the age of 60 years is 30 per cent of pay subject to a minimum of Rs. 60 and a maximum of Rs. 320 for employees in higher pay brackets. The above pension becomes admissible only if the employee had contributed to the family pension fund for a period of not less than one year. In the event of death of an employee after having been a member of the fund for at least 7 years, the family pension payable shall be at 50 per cent of the last pay drawn limited to twice the family pension ordinarily payable, for a period of 7 years from the date of death or till the employee would have attained the age of 60 years, whichever is earlier. A lump-sum of Rs. 2,000 as life assurance benefit is also payable over and above the family pension to those families which are not entitled to the enhanced family pension rates. There is no provision for payment of a family pension in the event of death after retirement, as is the case in the central government. All employees on attaining the age of 60 years or on cessation of membership from the pension fund are entitled to withdrawal benefits according

CHAPTER 5

RETIREMENT BENEFITS OF CIVILIAN EMPLOYEES

5.1 The retirement benefits admissible to civilian central government employees mainly consist of a superannuation or retiring pension, death-cum-retirement gratuity (DCRG), encashment of earned leave and facility to commute a portion of pension. Employees who have opted for contributory provident fund (CPF) scheme are paid CPF accumulations and cash equivalent of earned leave. However, railway employees who have opted for the CPF scheme also get, in addition, the benefit of special contribution to provident fund scheme which is in the nature of DCRG. We have dealt with commutation of pension and the CPF scheme elsewhere. Encashment of earned leave on retirement has been dealt with in Part I of our report.

5.2 The main features of the system of superannuation/retiring pension are (i) that pension is non-contributory; (ii) it is liable to be withheld in certain circumstances; and (iii) it is subject to future good conduct of the pensioner.

5.3 The main elements which go into computation of pension are the length of qualifying service of the retired employee, his reckonable emoluments and the pension formula. There are also orders prescribing a minimum pension. The rules and regulations governing these have been modified from time to time mainly for improving the pensionary benefits of employees. These changes have been made by government on its own or on the recommendations of Pay Commissions.

5.4 Prior to coming into force of Liberalised Pension Rules, 1950 (LP rules), only permanent service was treated as qualifying service. However, in the light of the recommendations of First Pay Commission, it was provided under these rules that half the temporary service and full quasi-permanent service, if followed by permanent service, would also count for pension. This position was further liberalised from April 22, 1950 when the entire temporary service, which was followed by confirmation was allowed to be treated as qualifying service for pension. Under the LP rules, only periods of earned leave taken by the employee counted for pension. This position was again liberalised from April 1, 1963 and it was decided that periods of leave for which the employee was paid leave salary would count as qualifying service. In 1968 and 1976 even extraordinary leave granted on medical certificate or for prosecuting higher technical and scientific studies, etc. was allowed to count as qualifying service.

5.5 Prior to April, 17, 1950, group D employees were eligible for pension only after completion of 20 years qualifying service, while other employees qualified for pension on completion of 10 years of service. This disparity was removed in the LP rules and all employees were made eligible for pension after completing 10 years qualifying service.

5.6 Average emoluments which are taken into account for calculation of pension have two aspects viz., (i) the period over which the average is worked out, and (ii) The elements of pay which form part of the emoluments. Earlier, pension was determined with reference to average emoluments drawn during the last 36 months of the employee's service. The position was liberalised with effect from February 29, 1976 when the period of 36 months was reduced to 10 months. As regards the elements of pay to be included in emoluments, the provision in the LP rules was that only pay drawn against a substantive post was treated as emoluments. However, the rules in this regard were liberalised twice, once from April 22, 1960, when substantive pay plus half of the difference between

the substantive pay and the pay actually drawn in officiating or temporary appointment was reckoned as emoluments, and again from June 15, 1968 when all types of pay as defined in FR 9(21) (including officiating pay) was reckoned as emoluments.

5.7 Earlier, full pension admissible was equal to 30/60 of emoluments on completion of 30 years of qualifying service. This was reduced to 30/80 of emoluments in the LP rules. The reduction was, however, compensated by grant of DCRG at the rate of 9/20 of emoluments for each year of service subject to a limit of 15 times of the emoluments. Some improvement in this respect was made by the Third Pay Commission when on completion of 33 years service, full pension was made equal to 33/80 of emoluments. A major change in the formula was, however, made with effect from March 31, 1979, when it was decided that on completion of service of 33 years or more, the pension would be calculated according to the slab system as indicated below,—

Average emoluments	Amount of monthly pension
(i) Upto first Rs. 1000/-	50 per cent of average emoluments.
(ii) Next Rs. 500/-	45 per cent of average emoluments.
(iii) Balance	40 per cent of average emoluments subject to a maximum of Rs. 1500/- p.m. including relief on pension payable upto index level 328.

5.8 The amount of pension has also been subject to ceilings from time to time. The ceiling prescribed in the LP rules was Rs. 6750/- per annum. This was raised to Rs. 8,100/- with effect from April 17, 1956, Rs. 12,000/- from January 1, 1973 and Rs. 18,000/- from March 31, 1979. The ceiling on pension has been removed from March 31, 1985.

5.9 The minimum amount of pension was initially fixed at Rs. 25/- per mensem with effect from January 1, 1964. This was raised to Rs. 40/- from March 1, 1970, Rs. 60/- from January 1, 1980, Rs. 150/- (inclusive of relief) from April 1, 1982 and Rs. 160/- (inclusive of relief) from April 1, 1983.

5.10 Thus, at present full pension under the Central Civil Services (Pension) Rules, 1972 (pension rules) is admissible to an employee on completion of 33 years of service. If the service is less than 33 years, pension is proportionately reduced. Pension is not admissible if at the time of superannuation the service rendered by the employee is less than 10 years. In such case, only service gratuity is admissible. Entire permanent service, as also temporary service followed by permanent service—counts for pension. If the employee remains temporary throughout his service, pension is not admissible except when he has put in 20 years service or more. Dismissal or removal from service entails forfeiture of past service and consequent loss of Pensionary benefits. Resignation from service also entails forfeiture of past service.

5.11 It has been suggested that the condition of minimum service of 10 years for eligibility to pension may be dispensed with and pension paid even where the service rendered at the time of retirement is five years or less. A suggestion has also been made that pension should be paid in all cases irrespective of whether the employee retired on superannuation or was dismissed or discharged. Improvements in the existing formula for calculation of pension and for its grant with reference to last pay drawn have also been suggested. It has also been stated that if a suitable pension fund is created it should be possible to pay pension equal to the last pay drawn without any contribution from the employees.

5.12 We have considered the various suggestions. Pension confers a long term benefit on an employee covering the entire period of his life and should be admissible only if he has served for a

reasonably long period. We do not therefore favour reduction in the existing requirement of 10 years qualifying service for grant of pension. The normal concept of pension is that it has to be granted when an employee has reached the end of his working life. The existing rules permit voluntary retirement after 20 years qualifying service with proportionate pension and gratuity subject to fulfilment of certain conditions and we have not recommended any change therein in Part I of our report.

5.13 An employee is dismissed or removed from service if he is found guilty of misconduct or misbehaviour of a serious nature. In such cases, the disciplinary authority while awarding the punishment, takes all the relevant factors into consideration including the fact that the employee shall forfeit his pension and gratuity. Such an employee may, if the case is deserving of special consideration, be sanctioned a compassionate allowance subject to specified conditions. We do not therefore find any justification for changing the existing provision.

5.14 At present resignation from service involves forfeiture of pension. In cases of dismissal from service, there is provision for giving pensionary benefits on compassionate considerations. It is therefore suggested that before resignation is accepted, the full circumstances leading to the resignation may be considered by the appropriate authority so that the question of giving some terminal benefits on compassionate grounds may also be considered wherever required.

5.15 Under rule 33 of pension rules the expression emoluments means pay as defined in F.R.9(21). We have given careful consideration to the suggestion that pension should be based on the pay last drawn rather than on the average pay drawn during the last 10 months of service. The calculation of pension with reference to the pay last drawn may not be beneficial to the employees in all cases. The existing scheme under which pension is calculated with reference to average emoluments drawn during the last 10 months of service, may continue.

5.16 As per our terms of reference we are required to examine the pension structure having regard, among other relevant factors, to the economic conditions in the country, the resources of the central government and the demands thereon such as those on account of development planning, defence and national security. According to information available the total number of civil and defence pensioners as on January 1, 1973 and April 1, 1985 were as follows,—

January 1, 1973	—About 8.00 lakh
April 1, 1985	—16.64 lakh

We also understand that presently about 1 lakh employees retire every year. With the availability of better medical facilities, the longevity is gradually increasing. More and more pensioners will continue to draw pension for increasingly longer periods. All these factors have to be kept in view while considering an improvement in the existing pension formula.

5.17 Prior to March 31, 1979, pension was equal to 33/80 of average emoluments for all categories of employees with a ceiling of Rs. 1000/- per month. However, the ceiling affected only a few employees retiring from posts at higher level. For bulk of the employees there was a uniformity in the rates of pension. The slabs system introduced in March, 1979, however, made a distinction between employees in different pay slabs and prescribed three different rates of pension viz. 50 per cent, 45 per cent, and 40 per cent of the average emoluments.

5.18 A view has been expressed that the existing pension formula may be rationalised and the earlier parity among various categories of employees in this regard may be restored by allowing 50 per cent of average emoluments as pension in all cases.

5.19 The existing pay slabs in the pension formula are related to the pre-revised pay structure. These would need modification in the light of the revised pay structure recommended by us in Part I of report. The Parliament has in a recent enactment, namely, the High Court and Supreme Court Judges (Conditions of Service) Amendment Act, 1986 fixed a pension of Rs. 4500/- per mensem for Judges of the Supreme Court on salary of Rs. 9000/- per mensem and a pension of Rs. 4000/- for Judges of the High Courts on salary of Rs. 8000/- per mensem. The pension thus payable works out to 50 per cent of the salary. Keeping this in view and to simplify and rationalise matters, we recommend that pension may be calculated at 50 per cent of pay for all categories of central government employees.

5.20 There was earlier a ceiling of Rs. 1500/- per mensem on pension. In the Budget Speech on March 16, 1985, The Finance Minister, *inter-alia*, announced removal of the above ceiling. This was made applicable to government employees retiring on or after March 31, 1985. The benefit of this has not so far been extended to past pensioners. The precise reasons for removal of ceiling are not known. We, however, find that subsequently a ceiling of Rs. 4000/- has been fixed on the pension of a Judge of a High Court and Rs. 4500/- on the pension of a Judge of the Supreme Court. We therefore recommend that basic pension for government employees may not exceed Rs. 4500/- per mensem.

5.21 We have recommended improved pay scales in Part I of our report as a result of which pensionary benefits should improve for all categories of employees. We have also recommended that various allowances and benefits to employees should generally be related to basic pay only. We are of the view that pension which confers a long term benefit to government employees should also be related to basic pay. We therefore recommend that the reckonable emoluments for purposes of retirement benefits should be the basic pay which may have the meaning given in F.R.9(21)(a)(i) and may not include any addition to pay under any other nomenclature.

5.22 The existing pension scheme is non-contributory and is the sum total of various decisions taken from time to time. We have been informed that government have decided to explore an alternative model for pension based on the concept of contributory pension fund. The suggestion for creating a 'pension fund' with contribution of the government and the employees at certain pre-determined rates has been made to achieve the dual purpose of ensuring a more liberal pension to the employees on retirement and for its protection against price rise. Presently, a Committee is engaged in developing a pension plan based on this concept. In evolving a scheme based on 'pension fund', the government will *inter-alia* have to consider whether the fund should cover only the fresh entrants to government service or also the existing employees, the institutional arrangements for management of the pension fund by way of creation of a special trust, employees' response to the proposed scheme and all other related aspects.

Service Gratuity

5.23 Where the total qualifying service of an employee is less than 10 years at the time of retirement, pension is not admissible but service gratuity is paid in such cases. Service gratuity is paid equivalent to half a month's emoluments for each 6 monthly period of qualifying service upto the first four years and at 3/8 months emoluments for each 6 monthly periods thereafter. Maximum gratuity is equal to 8-1/8 months emoluments. Demands have been made that service gratuity should be made equal to one month's pay for each completed year of qualifying service. To rationalise matters, we recommend that service gratuity may be allowed at a uniform rate of half month's pay for each completed 6 monthly period of qualifying service below 10 years.

Death-cum-Retirement Gratuity (DCRG)

5.24 Prior to introduction of LP rules, pension was equal to 30/60 of emoluments and there was no provision for death-cum-retirement gratuity (DCRG). With effect from April 17, 1950, gratuity at

the rate of 9/20 of emoluments for each completed year of qualifying service subject to a maximum of 15 times of the emoluments was introduced. Simultaneously, a reduction was made in the pension which was fixed at 30/80 of emoluments as against 30/60 admissible earlier.

5.25 The rate of the gratuity was slightly improved with effect from April 22, 1960 and made one-fourth of emoluments for each completed six months' qualifying service. Subsequently, from January 1, 1973, the ceiling of 15 months emoluments was raised to 16½ months emoluments. The ceilings applicable on maximum emoluments reckonable for DCRG, as also the maximum amount of DCRG payable, have also been revised from time to time as indicated below:—

Date from which applicable	Ceiling on :	
	Emoluments reckonable for pension	Amount of DCRG
	Rs.	Rs.
April 17, 1950	1500 p.m.	22,500
April 17, 1956	1800 p.m.	24,000
January 1, 1973	2500 p.m.	30,000
January 31, 1982	„	36,000
March 31, 1985	4000 p.m.	50,000

The present position is that gratuity is paid at 1/4th of emoluments for each completed 6 monthly period of qualifying service subject to a maximum of 16½ times of emolument. The maximum emoluments on which it has to be calculated at Rs. 4000/- per month and is subject to a ceiling of Rs. 50,000/-

5.26 The main suggestions made by unions with regard to payment of DCRG are : (i) that it should be calculated at the rate of one month's emoluments for each completed year of qualifying service, and (ii) that it should be calculated on the full service rendered by the employee and not restricted to 33 years. Suggestions have also been made for raising or removing the existing ceiling. It has also been urged that maximum gratuity should be equal to 20 months emoluments as admissible under the Payment of Gratuity Act, 1972.

5.27 The revised pay scales recommended by us in Part I of our report would result in substantial increase in pay reckonable for pension and gratuity. Therefore, the total amount of gratuity payable to employees will automatically increase in a large number of cases. The provisions of Payment of Gratuity Act are not applicable to central government employees whose retirement benefits are governed under the CCS (Pension) Rules, 1972, as amended from time to time. The ceiling on gratuity has been revised by government and the amount was raised to Rs. 50,000 in March 1985. The same ceiling has also been fixed for the Judges of Supreme Court and High Courts. We do not recommend any change in the existing rules governing payment of DCRG. As we have made our recommendations regarding death gratuity elsewhere, it is suggested that DCRG may be treated as retirement gratuity.

5.28 Presently, temporary and quasi-permanent employees who retire after less than 20 years of service are not entitled to pension and DCRG as applicable to permanent employees. They are paid terminal gratuity at the following rates.—

Length of service	Terminal gratuity
Below 5 years	Nil
5 years and above but below 10 years	Half a month's pay for each completed year of service.
10 years and above but below 20 years	One month's pay for each completed year of service subject to a maximum of 15 months pay or Rs. 15,000 whichever is less.

It has been urged by the unions of employees that payment of retirement benefits should be related to the length of service rendered by the employees irrespective of whether they continue to be temporary throughout their service or are substantively appointed to a permanent post. It has been stated that in most cases the employees continue to be temporary for reasons beyond their control and accordingly such employees should not be penalised by denying them the pensionary benefits. A suggestion made by most of the unions is that temporary/quasi-permanent employees who have completed 5 years of service at the time of retirement should be given all retirement benefits on par with permanent employees.

5.29 The question whether pension and DCRG should be paid to temporary/quasi-permanent employees on the same basis as is paid to permanent employees was considered both by the Administrative Reform Commission (ARC) and the Third Pay Commission. The former recommended that if a temporary employee had continued in government service without a break for at least 10 years, all such service, whether followed by confirmation or not, should count for pension and gratuity on the same scale as admissible to permanent government employees. However, the Third Pay Commission recommended that the temporary and quasi-permanent employees should continue to be paid terminal gratuity only as the character and service of temporary employees was distinguishable from that of permanent employees and also as security of tenure and the attraction of pension resulted in better candidates joining permanent posts than temporary posts. No action was taken on the recommendations of the ARC though government decided in December, 1980 that temporary employees retiring on superannuation after rendering continuous service of not less than 20 years should be paid pension according to the provisions of CCS (Pension) Rules, 1972.

5.30 We feel that employees who have rendered continuous satisfactory service for long periods should be given the benefits of pension and DCRG as available to permanent employees. At present, a government employee retiring at the age of superannuation or on being declared permanently incapacitated for further service by the appropriate medical authority after rendering temporary service of not less than 20 years, is brought within the purview of CCS (Pension) Rules, 1972 and the condition of holding a pensionable post in a substantive capacity is dispensed with in his case. We recommend that for such cases the required period of service may be reduced from 20 to 10 years. In the case of employees whose total temporary service is less than 10 years at time of retirement, terminal gratuity may continue to be admissible as at present.

CHAPTER 6

BENEFITS TO CIVILIAN EMPLOYEES IN CASE OF DEATH

6.1 There was no provision for family pension under the old pension rules. A family pension scheme (FPS) was for the first time introduced with effect from April 17, 1950 along with the Liberalised Pension Rules, 1950 (LP rules). Under this scheme family pension was admissible in case of death of an employee after 25 years of service. Family pension was equal to 50 per cent of the superannuation pension subject to a maximum of Rs. 150 per mensem and was payable for a period of 5 years from the date of death or unexpired portion of 5 years from the date of retirement. FPS was non-contributory.

6.2 Some improvements were made in the FPS with effect from April, 1957, when the earlier condition of 25 years service at the time of death of the employee for payment of family pension was reduced to 20 years. Further, the pension was made payable for a period of 10 years instead of 5 years.

6.3 Substantial liberalisations in the FPS were made with effect from January 1, 1964, when the Family Pension Scheme 1964 was introduced. Under this scheme families of government employees became eligible for family pension where an employee died after completion of one year service. The amount of pension was related to the pay drawn by the deceased employee at the time of his death. The rates of family pension were 30 per cent, 15 per cent or 12 per cent of pay depending upon the level at which pay was drawn by the deceased employee. Parents, brothers and sisters were excluded from the definition of family and the family pension was made payable only to wife/husband or children of the deceased employee. In the case of wife/husband pension was payable for life or till re-marriage and in case of sons and unmarried daughter till they attained the age of 18 years and 21 years respectively. The scheme was optional and contributory. The contribution was equal to 2 months' emoluments or Rs. 3600, whichever was less, and was to be deducted from death-cum-retirement gratuity.

6.4 Improvements have been made in FPS subsequently. The minimum amount of family pension was raised to Rs. 40 per mensem with effect from March 1, 1970. The rates of family pension were re-fixed on the recommendations of the Third Pay Commission as follows,—

<u>Pay of government employee</u>	<u>Amount of family pension per mensem</u>
Below Rs. 400/-	30 per cent of pay subject to a minimum of Rs. 60 and a maximum of Rs. 100
Rs. 400 and above but below Rs. 1200	15 per cent of pay subject to a minimum of Rs. 100 and a maximum of Rs. 160.
Rs. 1200 and above	12 per cent of pay subject to a minimum of Rs. 160 and a maximum of Rs. 250.

although FPS recommended by the Third Pay Commission was also contributory, government decided with effect from September 22, 1977 not to make deduction from death-cum-retirement gratuity as contribution towards FPS. The other changes made by government subsequently

were : (i) raising the age limits for eligibility to family pension for sons and daughters from 18 years and 21 years to 21 years and 24/30 years respectively, (ii) payment of family pension even in those cases where service rendered by the deceased employee was less than one year if he was declared medically fit prior to his appointment to government service, and (iii) payment of pension for life to sons/daughters suffering from mental disability/disorders or if physically crippled disabled subject to prescribed conditions. The minimum amount of family pension plus relief was raised to Rs. 150/- per mensem from April 1, 1983.

6.5 Thus, at present family pension under the Central Civil Services (Pension) Rules, 1972 (pension rules) is available for families of central government employees, both permanent and temporary, who die while in service or after retirement. In case of retirement, the benefit is available only if the employee had retired on pension. Family pension is payable to the widow or widower for life (hereinafter referred to as widow) or till re-marriage and to children up to the ages of 21 years for sons and 30 years for daughters. The rates of family pension vary according to pay of the deceased employee, but the minimum amount of family pension (plus relief) is Rs. 150/- per mensem with effect from April, 1, 1983. Where at the time of death the employee has completed 7 years of continuous service, family pension is payable at twice the ordinary rate or at 50 per cent of the pay last drawn, whichever is less, for a period of 7 years or till the government employee would have attained the age of 65 years had he survived, whichever is less. If the death occurs after retirement, the enhanced rate of pension is further subject to the condition that it should not exceed the normal superannuation pension. In addition to the family pension, the employees are also entitled to death gratuity the amount of which varies according to the total qualifying period of service rendered by the employee at the time of his death.

6.6 It has been urged by almost all unions of employees that the existing rates of family pension are inadequate and require improvement. It has also been suggested that the period of 7 years for payment of family pension at higher rate should be increased. Some unions have stated that family pension should be equal to the normal pension to which the employee would have been entitled at the time of his death. We have given careful consideration to the suggestions. In our view, the suggestion that family pension should be equal to the pension admissible to the employee at the time of his death may not be equitable in all cases. The death of an employee may occur any time during his service, i.e. even when he has put in less than 10 years of service. In such a case the employee will not be entitled to any pension even if pension were to be calculated notionally. And where service is more than 10 years at that time, the amount of notional retirement pension may be very small in some cases and may not provide adequate help to the family. We are therefore of the view that the basic rates of family pension should be different from the normal pension rates.

6.7 While considering improvements in the existing family pension rates, several factors need to be taken into consideration. Family pension is payable to the widow for life even in those cases where the death of the employee occurs after less than a year's service. Apart from family pension the families of the deceased employees also get other benefits such as the insurance cover available under the group insurance scheme and the deposit linked insurance scheme of general provident fund. They are also paid death gratuity, which is equal to six times the emoluments if the service rendered by the deceased employee is one year or more but less than 5 years, subject to a minimum of twelve times the emoluments if the service rendered is 5 years and above but less than 24 years. All the above factors have to be taken note of while examining the family pension scheme.

6.8 The pay ranges and rates of the existing family pension scheme are related to the pay structure recommended by the Third Pay Commission at index average 200 (1960—100). The pay structure recommended by us in Part I of our report is related to index average 608. In the revised pay struc-

ture, the basic pay of employees, on which family pension is calculated has gone up considerably. This has made it necessary to review the existing pay ranges and rates, as also the minima and maxima of the family pension scheme. There is also need to rationalise the existing rates of family pension. Taking all factors into account, we recommend that the existing rates for grant of family pension may be revised as follows,

Pay in the revised scales	Rate of family pension per mensem
(a) Rs. 1500 and below	30 per cent of pay subject to a minimum of Rs. 300/-
(b) Above Rs. 1500/-	15 per cent of pay subject to a minimum of Rs. 450/- and maximum of Rs. 1000/-

We do not recommend any change in the existing provisions for payment of family pension at higher rate for a period of 7 years or upto the age of 65 years, whichever is less. Family pensioners should continue to be eligible for grant of relief on pension in case of increase in prices to the same extent as other pensioners.

Death Gratuity

6.9 In addition to family pension, families of permanent government employees who die in harness are entitled to gratuity which is calculated with reference to the number of years of qualifying service rendered by the deceased employee at the time of his death. Presently the death gratuity is payable as follows,—

Qualifying service	Amount of gratuity
Less than 1 year	Two times the emoluments
1 year or more but less than 5 years	Six times the emoluments
5 years and above	One-fourth of emoluments for each completed 6 monthly period of service subject to a minimum of twelve times and maximum of 16 1/2 times the emoluments.

The emoluments taken into account for calculating gratuity are subject to a ceiling of Rs. 4000/- per mensem and death gratuity is also subject to a ceiling of Rs. 50,000/-.

6.10 With the improvement in the pay structure as a result of our recommendations in Part I of our report, the amount of gratuity payable to families of most of the employees who die during service, would increase even if no change is made in the existing rates of death gratuity. This may not, however, be so in the case of employees in upper pay ranges where the existing ceilings on emoluments and amount of gratuity will be applicable.

6.11 At present a government employee who has completed 20 years of qualifying service can proceed on voluntary retirement with retiring pension and gratuity. A period of 5 years is added to the qualifying service in such cases subject to the condition that the total qualifying service rendered by the employee does not exceed 33 years and it does not take him beyond his date of superannuation. Such an employee can also commute one-third of his pension without any medical examination if commutation is applied for within a year of retirement. If he dies subsequent to his voluntary retirement, his widow is entitled to family pension. Accordingly, in such a case the family of the employee

receives three benefits i.e. gratuity, commuted value of pension (if any) and family pension, As against this, if an employee dies while in service, after 20 years of service, his widow gets family pension and gratuity. The existing position therefore appears to be disadvantageous to a serving employee who dies in harness. One way of improving this will be to grant to the widow of an employee dying in harness after completing 20 years of service, the commuted value of one-third of his notional pension. This may not, however, be appropriate as according to the existing concept of service pension, it becomes payable only if the employee retires from service. We feel that a better way of providing relief would be to increase the rates of death gratuity in cases where the employee dies after putting in a service of 20 years or more. Accordingly, we recommend that in cases where a government employee dies in service after completing 20 years of qualifying service, the death gratuity may be paid at the rate of 1/2 of pay for each completed 6 monthly period of service subject to a maximum of Rs. 1.00 lakh. There may not, however, be any upper limit on pay for calculating the death gratuity in such cases. The rates of death gratuity may accordingly be revised as follows :—

Qualifying service	Amount of death gratuity
Less than one year	2 times of pay
One year and above but less than 5 years.	6 times of pay
5 years and above but less than 20 years.	12 times of pay
20 years and above	1/2 of pay for each completed 6 monthly period of qualifying service subject to a maximum of 33 times the pay and monetary limit of Rs. 1.00 lakh.

6.12 Families of quasi-permanent and temporary employees who die in harness are presently paid death gratuity at rates lower than those admissible to families of permanent employees. It has been represented by unions of employees that family pension and death gratuity may be paid to families of all deceased employees, whether permanent, quasi-permanent or temporary, at the same rates, as on the death of the bread winner, all families suffer equal hardship. There is force in this argument and we recommend that in all cases of death in harness (whether the employees are permanent, quasi-permanent or temporary), death gratuity may be paid to the families at rates recommended by us in paragraph 6.11 above.

6.13 At present while the age limit for grant of pensionary benefits to sons of deceased employees under pension rules and EOP rules is 21 years, for unmarried daughters it is 30 years and 24 years respectively. The age limit for payment of children allowance and education allowance under EOP rules and liberalised pensionary awards is, however, 23 years both for sons and unmarried daughters. We feel that there should be uniformity with regard to age limits applicable to children of deceased employees in the matter of grant of pensionary benefits under the various rules. We accordingly suggest that the matter may be examined by government whether a uniform age limit could be prescribed both for sons and daughters. Once a uniform age limit has been prescribed, the condition under the existing rules that the family pension payable to a son or a daughter shall be stopped if he or she starts earning his/her livelihood may be removed.

6.14 It has been suggested that the definition of 'family' for purposes of family pension under pension rules should include dependent parents in case of an employee who dies without acquiring a family, and widow/husband in case of an employee who marries after retirement but before attaining the age of 58 years. It has also been suggested that a brother or sister suffering from disorder or disability of mind or who is physically crippled or disabled so as to render him or her unable to earn living and who is entirely dependent on the income of a bachelor government employee, should also be included in the family. It has further been suggested that payment of family pension under pension rules should not cease if a widow remarries.

6.15 At present, there is no uniformity in the definition of 'family' in various service rules. Under pension rules, 'family' includes only the husband or wife, as the case may be, and sons and unmarried daughters upto specified age as beneficiaries for family pension. However, under the EOP rules, 'family' also includes parents, minor brothers and sisters subject to specified conditions, in case of a government employee who does not have a wife or children. Under the liberalised pensionary awards, parents form part of family. For payment of DCRG under pension rules, if the employee does not have wife and children, parents, minor brothers, unmarried and widowed sisters, married daughters and children of a predeceased son form part of family. Under the general provident fund rules, contributory provident fund rules and central government employees group insurance scheme (CGEIS), 'family' includes employee's own spouse and children and the widow and children of a deceased son. Under travelling allowance rules and leave travel concession, 'family' consists of spouse, sons, daughters, parents, sisters and minor brothers provided they are residing with the government employee and are wholly dependent on him. Under the medical reimbursement CGHS scheme also, 'parents form part of the family if they are residing with the government employee and are wholly dependent on him.

6.16 Any modification in the definition of family for grant of benefits under the different service rules will have various legal and other implications. At present there is neither any uniformity for grant of benefits to the families of serving employees under different rules nor is there any such uniformity in respect of benefits admissible under the rules governing grant of different kinds of pensions. There is also no obligation for an employee who has no family of his own to nominate his parents or dependent relations only as beneficiaries under the provident fund and C.G.E.I.S. rules.

6.17 We are of the view that this matter which has several implications needs to be considered by government in all its aspects keeping in view the repercussions on employees working in various organised sectors. Government may also consider the larger question of the responsibility which it should assume at this stage for the families and other dependents of deceased government employees only.

CHAPTER 7

EXTRAORDINARY PENSION TO CIVILIAN EMPLOYEES

7.1 Civilian government employees who are disabled or incapacitated or killed or die of an injury or disease which is attributable to or aggravated by government service are eligible for certain special benefits. Government employees working in establishments covered by the Workmen's Compensation Act, 1923 are governed by the provisions of that Act. Other civilian employees, however, are eligible for these benefits under the Central Civil Services (Extraordinary Pension) Rules (EOP Rules). There are also separate provisions for grant of improved benefits in case of death or injury as a result of action against hostiles, terrorists, dacoits, etc.

7.2 EOP rules were promulgated with effect from April 1, 1937 and have been amended a number of times by issue of notifications and executive instructions. Major changes have been made in the rules on the recommendations of the Third Pay Commission. The Commission noted that the earlier criterion for grant of extraordinary pension by relating it to 'risk of office' or 'special risk of office' was rather complicated and capable of varying interpretations. The Commission also observed that the then existing method of grant of awards on the basis of classification of injuries into A, B or C depending upon whether these were sustained as a result of risk of office or special risk of office also required modification. The Commission therefore recommended certain basic changes both in regard to criteria for determining the admissibility of the awards and their quantum. The modifications suggested broadly related to (i) grant of awards on the consideration whether the death or injury was attributable to service or aggravated by service rather than 'risk of office' or 'special risk of office', (ii) classification of the injuries in a manner similar to that under the Workmen's Compensation Act, (iii) rationalisation of the benefits to widows/children by bringing them in line with the family pension scheme under pension rules (iv) grant of lump sum compensation in cases where the disabled employee was retained in service, and (v) grant of minimum invalid pension at a rate not less than ordinary family pension under pension rules. The recommendations were implemented by government.

7.3 The present position of awards under EOP rules is as follows:—

- (i) Awards under these rules are admissible when a government employee is disabled or incapacitated or killed or dies of an injury or disease which is attributable to or aggravated by government service.
- (ii) The awards are in addition to pension and gratuity admissible to central government employees under the Central Civil Services (Pension) Rules, 1972 (pension rules). However, families of government employees eligible for benefits both under the pension rules and EOP are paid a consolidated family pension under EOP rules only.
- (iii) When a government employee dies of an injury or disease attributable to service, the family of deceased is sanctioned (a) family pension at higher rate (special family pension) if on the date of death it was eligible to family pension under pension rules or (b) family pension at lower rate (ordinary family pension) if on that date it was not entitled to family pension under pension rules. Special family pension is higher where the employee had completed 7 years' service at the time of death and slightly lower if service was less than 7 years.
- (iv) Children of deceased are entitled to monthly pension and education allowance in addition to (iii) above.

7.4 The existing rates of special family pension, ordinary family pension, children's pension and education allowance are as follows:—

(A) In cases where the family is entitled to special family pension

(I) Special family pension:

Pay of government employee	Amount of monthly special family pension when death takes place on completion of service of less than 7 years	Amount of monthly special family pension when death takes place on completion of service of not less than 7 years
(a) Below Rs. 400	45 per cent of pay subject to a maximum of Rs. 125 and a minimum of Rs. 96/-.	50 per cent of pay subject to a minimum of Rs. 120/-.
(b) Rs. 400 & above but below Rs. 1200.	25 per cent of pay subject to a maximum of Rs. 250/- and a minimum of Rs. 125/-.	30 per cent of pay subject to a maximum of Rs. 320/- and a minimum of Rs. 200/-.
(c) Rs. 1200 and above	20 per cent of pay subject to a maximum of Rs. 460/- and a minimum of Rs. 270/-.	24 per cent of pay subject to a maximum of Rs. 500 and a minimum of Rs. 320/-.

(II) Children's pension (monthly per child :

Pay of government employee	If the child is motherless/fatherless	If the child is not motherless/fatherless
(a) Below Rs. 400	*15 per cent of pay.	5 per cent of pay.
(b) Rs. 400 and above but below Rs. 1200.	Rs. 65/-	3 per cent of pay subject to a minimum of Rs. 20/-.
(c) Rs. 1200 and above	Rs. 100	2 per cent of pay subject to a minimum of Rs. 30/- and a maximum of Rs. 50/-.

(B) In cases where family is entitled to ordinary family pension

(I) Ordinary family pension:

Pay of government employee	Amount of ordinary family pension
(a) Below Rs. 400.	30 percent of pay subject to a minimum of Rs. 60 and a maximum of Rs. 100.
(b) Rs. 400 and above but below 1200.	15 per cent of pay subject to a minimum of Rs. 100 and a maximum of Rs. 160.
(c) Rs. 1200 and above.	12 per cent of pay subject to a minimum of Rs. 160 and a maximum of Rs. 250/-.

*This rate is admissible where the service of the deceased government employee was less than 7 years. Where the service rendered was more than 7 years, the motherless children all together, get the same amount of pension as admissible to the widow till they all attain the prescribed age.

(II) Children's pension (monthly per child):

Pay of government employee	If the child is motherless/fatherless	If the child is not motherless/fatherless
(a) Below Rs. 400.	10 per cent of pay	5 per cent of pay
(b) Rs. 400 & above but below 1200.	5 per cent of pay subject to a minimum of Rs. 40.	3 per cent of pay subject to a minimum of Rs. 20/-.
(c) Rs. 1200 and above	3 per cent of pay subject to a minimum of Rs. 60/-.	2 per cent of pay subject to a minimum of Rs. 30/- and a maximum of Rs. 50/-.

(C) In addition to children's pension as at (A) and (B) above education allowance is also admissible to children (other than married daughters) between the age of 5 and 23 years at the following rates,—

Pay of deceased government employee	Rate of education allowance
Below Rs. 400.	Actual expense subject to a maximum of Rs. 15/- per month per child.
Rs. 400 and above (but subject to prescribed total income criteria).	Actual expense subject to a maximum of Rs. 40/- per month per child.

(D) If the deceased government employee has neither left a spouse nor a child, an award may be made to his surviving father and mother individually or jointly and in their absence to brothers and sisters, individually or collectively, if they are largely dependent on the government employee for support and are in pecuniary need. The total amount of award in such cases shall not exceed one-half of ordinary family pension that would have been admissible to the widow. The share of each brother and sister shall not exceed the amount of pension admissible to a child who is not motherless.

(E) Family pension granted under EOP rules is ordinarily payable,—

- (i) in the case of a widow or mother until death or re-marriage, whichever occurs earlier.
- (ii) in the case of a son or a brother until he attains the age of 21 years.
- (iii) in the case of unmarried daughter or a sister until marriage or she attains the age of 24 years whichever is earlier.
- (iv) in the case of father for life.

7.5 A government employee who sustains an injury or contracts a disease which is attributable to service, is awarded disability pension. The monthly amount of pension for hundred per cent loss in earning capacity is as follows:—

Pay of government employee on the date of receiving injury or contracting disease	Monthly amount of disability pension when loss in earning capacity is hundred per cent
(i) Below Rs. 400	30 per cent of pay subject to a minimum of Rs. 60 and maximum of Rs. 100.
(ii) Rs. 400 and above but below Rs. 1200	15 per cent of pay subject to a minimum of Rs. 100 and maximum of Rs. 160.
(iii) Rs. 1200 and above	12 per cent of pay subject to a minimum of Rs. 160 and maximum of Rs. 250/-.

When the loss in earning capacity is less than hundred per cent, the amount of disability pension is proportionately less.

7.6 If a government employee is granted disability pension on account of injury and is retained in service without interruption, he is paid the capitalised value of the disability pension as one time compensation.

7.7 As mentioned above, in cases of injuries attributable to service, compensation payable under EOP rules is with reference to the disability suffered by the employee—highest compensation being payable where disability is hundred per cent. This does not call for any change.

7.8 The rates of family pension, children's pension, etc., which are related to the pay structure recommended by the Third Pay Commission, however, require some modifications. There are at present three separate rates of family pension under EOP rules, namely,—

- (i) ordinary family pension, which is payable when the family of the deceased government employee is not entitled to family pension under the pension rules (i. e. where the employee at the time of his death was not holding a pensionable post).
- (ii) special family pension where the family is entitled to family pension under the pension rules and the government employee had at the time of death completed not less than 7 years' service.
- (iii) special family pension where the family is entitled to family pension under the pension rules but where the government employee at the time of his death had not completed 7 years service.

7.9 The rates of ordinary family pension under the EOP rules are the same as under the pension rules. The rates of special family pension are also the same as the higher rates admissible under the family pension scheme for a period of 7 years. The rates of special family pension in cases mentioned at (iii) above are lower. In addition to widow's pension is also payable to children of deceased employees under EOP rules. The rates of children's pension depend upon (i) whether the widow is entitled to ordinary family pension or special family pension, and (ii) whether they are motherless/fatherless or otherwise. The children are entitled to education allowance in addition. The existing rules are complicated and need rationalisation and simplification so that the employees are clear about the benefits admissible and the administration becomes simpler.

7.10 In the family pension scheme under the pension rules, no separate pension is payable to children. If the wife/husband of the deceased employee is alive, family pension is paid only to her/him. Where the deceased employee does not have a living wife/husband that pension is payable to children (upto specified ages). We are of the view that the same principle should apply to family pension under EOP rules also and the additional pension admissible to children should be merged and a consolidated family pension given.

7.11 As mentioned earlier, under the EOP rules, the children of deceased employees are entitled to pension and education allowance in addition to widows pension. It has been brought to notice that the existing arrangement causes lot of inconvenience to the pensioners as minor children are required to accompany the pensioners even where the pensioner is their natural guardian. The rules for payment of education allowance to children are also cumbersome as they involve verification of annual income of deceased employee's family from time to time before the allowance is paid. We are of the view that the present procedure needs to be simplified and brought in line with the provisions of family

pension under pension rules. Accordingly, we recommend the following consolidated rates of family pension inclusive of the children's pension and education allowance where applicable,—

(A) Ordinary family pension

- (i) If the widow is childless At rates recommended by us for family pension under the pension rules.
- (ii) If the widow has a child/children 40 per cent of basic pay subject to a minimum of Rs. 500 and a maximum of Rs. 1500.

(B) Special family pension

- (i) If the widow is childless At the higher rates recommended by us for family pension under the pension rules.
- (ii) If the widow has a child/children. 60 per cent of basic pay subject to a minimum of Rs. 750 and maximum of Rs. 2500.

Family pension at the rates indicated at (A) (i) and (B) (i) above may be paid to the widow up to the date of death or re-marriage, whichever is earlier. Family pension at the rates indicated at (A) (ii) and (B) (ii) above may be paid to the widow till the child/children attain the age prescribed under the family pension rules and thereafter the widow may be paid family pension at rates indicated at (A) (i) and (B) (i) above. In cases where the widow dies or re-marries, the children may be paid family pension at the rates indicated at (A) (i) and (B) (i) above and the same rate may also apply to fatherless/motherless children. In both cases, family pension may be paid to the children till they attain the age prescribed under the family pension rules. No children's pension or education allowance may be paid in addition to the consolidated rates of family pension recommended above. The dependent parents, brothers, sisters etc. may be paid family pension at one-half of rate applicable to fatherless/motherless children subject to specified conditions.

7.12 At present when the disablement of a government employee is due to injury or disease which is attributable to service, he is awarded disability pension. The monthly amount of disability pension for hundred per cent loss in earning capacity is equal to the ordinary family pension admissible under the pension rules. We recommend continuance of this provision and the maximum disability pension may be equal to family pension at ordinary rates recommended by us in Chapter 5. For lesser disability pension may be reduced proportionately. In addition to the disability pension mentioned above, an employee, who held a permanent pensionable post before being invalided and boarded out of service as a result of disability attributable to service, is also entitled to pension and/or service gratuity depending upon whether the qualifying service rendered by him at the time of being boarded out from service was 10 years or more or less than 10 years. Where permanent disability in such cases is not less than 60 per cent, the total disability pension (i.e. the pension or service gratuity admissible under the pension rules plus disability pension under the EOP rules) is not to be less than the widow's pension under the EOP rules. This may continue and the total disability pension in such cases should not be less than the special family pension recommended at (B) (ii) of para 7.11 ante.

7.13 Government employee who are disabled due to causes attributable to service may sometimes require special aids such as artificial limbs, pace-maker, crutches. While in case of serving employees such aids are available under the Central Services (Medical Attendance) Rules, there are no rules for

the supply of these aids when the employee has retired from service on disability pension. During evidence it was brought to notice that even in deserving cases artificial limbs were denied to employees who had suffered disability attributable to service. Some of these aids may require replacement periodically and involve substantial expenditure to pensioners. There is considerable force in the suggestion that in cases where an employee has suffered disability attributable to government service and has been granted disability pension under the EOP rules and needs some artificial aids under medical advice, he should be provided such aids initially, and their replacement subsequently should also be provided by government. We recommend accordingly.

Liberalised pensionary awards

7.14 While the normal cases of death/disablement as a result of injury, disease, etc. attributable to government service are covered under EOP rules, liberalised pensionary awards are given to families of government employees who die while performing their duties, as a result of attack by extremists, anti-social elements, etc. or during action against dacoits, smugglers, hostiles, etc. The family pension admissible in such cases is as follows—

(a) *In case of government employee whose basic pay is Rs. 700/- per mensem or more at the time of death.*

The widow is entitled to family pension equivalent to the last pay drawn by the deceased for a period of 7 years or upto the date on which the deceased would have retired in the normal course, whichever is later. Children allowance and education allowance is not admissible during this period. After the expiry of the above period, pension equivalent to the pension which the deceased would have been entitled to on the basis of emoluments on the date of his death but counting service upto the date on which he would have retired in the normal course, is admissible for life. During this period children allowance at the rate of Rs. 100/- per child upto the age of 23 years is payable in addition subject to the condition that family pension together with the children allowance and education allowance does not exceed the pay drawn by the deceased at the time of death. Family pension at the above rate ceases to be payable to widow from the date of re-marriage and from that date the widow is given family pension at rates applicable to ordinary family pension. Children allowance is, however, admissible to the children of the deceased in such cases.

(b) *In respect of government employees drawing basic pay of less than Rs. 700/- per mensem at the time of death.*

Widow is entitled to family pension for life equivalent to the pay last drawn by the government employee. Children allowance and education allowance is not admissible in addition. Family pension at the above rate ceases from the date the widow re-marries. From that date she becomes entitled to pension equal to the amount of ordinary family pension admissible under the pension rules and the children of the deceased get children allowance of Rs. 100/- per child upto prescribed age limits.

(c) Where the government employee dies as a bachelor or as a widower without children, pension is payable to parents. In case of government employee drawing a basic pay of Rs. 700/- per mensem or more, the rate of family pension for both parents is equal to two-thirds of the rate of family pension admissible to the widow and for a single parent equal to two-thirds of this rate. In case of other employees, both parents' pension is equal to three-fourths of the pay last drawn by the government employee and for a single parent's, three-fourths of this rate.

7.15 Children allowance when payable in addition to family pension is Rs. 100/- per mensem per child in the case of government employee whose basic pay at the time of death is Rs. 700/- per men-

sem and above and Rs. 60/- per mensem per child in other cases. Children allowance admissible on the re-marriage of widow is also at the above rate. For motherless children the rate is Rs. 150/- per mensem per child in the case of government employee whose basic pay at the time of death is Rs. 700/- per mensem and above and Rs. 90/- per mensem per child in other cases.

7.16 In addition to the above benefits, education allowance is also admissible at the following rates,—

Pay of deceased government employee	Rate of education allowance
Below Rs. 400/-	Actual expense subject to a maximum of Rs. 15/- per mensem per child.
Rs. 400/- and above (subject to prescribed total income criteria).	Actual expense subject to a maximum of Rs. 40/- per month per child.

The allowance is admissible to all children between the ages of 5 and 23 years other than married daughters.

7.17 Government employees who are invalided out of service under these special orders are paid pension which consists of a service element and a disability element. The service element is equal in amount to the retiring (or invalid) pension including the DCRG which the government employee would have been entitled to on the basis of his emoluments on the date of death but counting service upto the date on which he would have retired in normal course. The disability element for 100 per cent disability is equal in amount to the emoluments last drawn by the employee minus the service element i.e., the retiring pension and pension equivalent of death gratuity, the amount of disability element being limited to Rs. 1,000/-. For lower percentages of disability, the disability element is proportionately reduced. Where disability pension is allowed, no other pension is admissible.

7.18 Government orders regarding grant of liberalised pensionary awards in cases involving death/disablement of employees as a result of attack by extremists, anti-social elements, etc. were issued in *November, 1984. Family pension initially admissible to widow under these orders is equivalent to the pay last drawn by the deceased employee. The pension entitlements of widows under these orders will therefore automatically get improved with the introduction of revised pay scales recommended by us in Part I of our report. Having regard to this, we suggest that the existing pay limit of Rs. 700/- per mensem for grant of family pension at different rates may be raised to Rs. 2200/- per mensem. We do not recommend any other changes in the rules governing payment of liberalised pensionary awards except those indicated in the succeeding paragraphs.

7.19 As mentioned earlier, in addition to the widow's pension the children of deceased employees are eligible for children allowance and education allowance. The rates of children allowance depend upon whether the children are motherless or otherwise. The rules for the grant of education allowance are also rather complicated. We have recommended payment of consolidated rates in respect of awards under EOP rules. To rationalise matters, we suggest that under the liberalised pensionary awards also, the children of the deceased employee (other than motherless children) may be paid a consolidated children allowance at the rate of Rs. 100/- per mensem per child in case of a government employee whose basic pay at the time of his death is less than Rs. 2200/- per mensem and Rs. 150/- per mensem per child for other employees. Children allowance at the same rate may be paid to the children if the widow re-marries.

* Ministry of Finance o. M. No. F. 1(15)/-EV/84 dated the November 9, 1984.

7.20 So far as motherless children are concerned, we find that under the liberalised pensionary awards these children get only the children allowance and the education allowance. In the case of family pension under the pension rules, on the death of the widow, the same pension is granted to the children till the youngest of them reaches the prescribed age limit. Since the entitlements under the liberalised pensionary awards are intended to be more liberal than the family pension admissible under the pension rules, we recommend that in addition to the children allowance at the rates mentioned in the previous paragraph, the motherless children may be given special family pension at the rate recommended at (B) (i) of paragraph 7.11 ante.

7.21 We also recommend that education allowance may not be paid in addition to the children allowance recommended in the preceding paragraph. The children allowance may not also qualify for grant of any dearness relief on pension.

CHAPTER 8

COMMUTATION OF PENSION

8.1 The system of commutation of pension has been in vogue under the central government for a long time. Prior to coming into force of the Liberalised Pension Rules (LP rules) the maximum portion of pension which could be commuted by a pensioner was one-half of pension. The limit was, however, reduced to one-third with effect from April 17, 1950 with the introduction LP rules providing for death-cum-retirement gratuity.

8.2 The commuted value of pension is calculated with reference to a commutation table which, inter-alia, takes into account the longevity of pensioners and the prevalent rate of interest. Subsequent to 1950, the commutation table has been revised three times, viz. from November 1, 1963, November 1, 1967 and March 1, 1971. The table indicates the commuted value of pension expressed as number of years' purchase with reference to the age of pensioner on his next birth day. According to the existing commutation table, the commuted value in case of an employee retiring at the age of 58 years is 10.46 years' purchase. If a person commutes Rs. 100 from his pension within one year of retirement, the lump sum amount payable to him works out to Rs. $100 \times 10.46 \times 12 =$ Rs. 12,552. The commutation value of pension goes on decreasing as the age of the pensioner increases.

8.3 Under LP rules, commutation could be allowed only after medical examination by the appropriate medical authority. Such a medical authority, keeping in view the state of health of the employee, could recommend either full or less value of pension commutation or rejection of the request for commutation. This position has changed from November 26, 1977, and medical examination for commutation of pension within a period of one year from the date of retirement has now been dispensed with. If commutation of pension is sought from a date after one year of the date of retirement, it can be allowed only after medical examination.

8.4 In armed forces where retirement age is lower, commissioned officers can commute up to 43 per cent, and personnel below officer rank, up to 45 per cent of their retiring pensions. The other conditions relating to commutation as applicable to civilian employees also generally apply to armed forces personnel.

8.5 The main suggestions made by the unions of employees with regard to commutation of pension are: (i) that the existing ceiling on commutation of pension may be raised from one-third to one-half, and (ii) that on the expiry of the commutation period, full pension may be restored. Suggestions have also been made that full amount of pension should be allowed to be commuted. Another suggestion made is that while one-third commuted value may be paid in cash, the remaining may be given in the shape of bonds carrying a specified rate of interest and encashable after a period of 10 years or so.

8.6 We have been informed that representations were made to government from time to time for raising the existing commutation limit on pension to 50 per cent. Some pensioners' organisations had also filed writ petitions in the Supreme Court in 1983 seeking restoration of commuted portion of pension and the matter is reported to have since been decided by the Supreme Court.

8.7 The suggestion for commutation of full pension would virtually amount to having one-time settlement on retirement and will not be substantially different from the C.P.F. scheme under which the entire amount is disbursed to the employees at the time of retirement. The employees governed by CPF are, however, requesting for coming over to the pension scheme. Moreover, with the revised scales of pay the pensionary benefits including the commuted value of pension will increase. We do not therefore recommend any change in the existing limits on commutation of pension.

8.8 The benefit of commutation of pension is at present based on a table developed in March, 1971 which *inter alia* takes into account the average surviving age of pensioners and 4.5 per cent per annum as rate of interest. Further, the commutation of pension is not compulsory but optional. In the light of the decision of the Supreme Court, the existing scheme of commutation of pension may require a *de novo* examination.

8.9 It has been suggested that the present commutation plan may be replaced by another scheme where pension is restored after a comparatively short period. In such a scheme, while the lump sum amount admissible may be a little less, the restoration of pension will be easier. The above suggestion merits consideration and government may examine the feasibility of introducing a scheme under which pension will be restored after a short period of about 7 years or so both for civil and defence pensioners.

CHAPTER 9

CONTRIBUTORY PROVIDENT FUND SCHEME

9.1 While the government employees in general are governed by the pension scheme, persons appointed on contracts for a specified period, employees re-employed after retirement and some of those serving in scientific and technical organisations who enter service at a higher age are covered under the contributory provident fund scheme (CPF). Employees who joined railways prior to November 16, 1957 and did not opt for the pension scheme are also covered under the CPF scheme known as State Railways Provident Fund Scheme (SRPF). About 50,000 employees are stated to be covered under CPF scheme of which the majority are in the railways. The number of employees who retired under CPF and SRPF schemes is estimated at 1.20 lakh.

9.2 Under the CPF scheme, every employee is required to subscribe a minimum of 8½ per cent of his reckonable emoluments to be credited to the fund. The government makes a matching contribution of 8½ per cent of emoluments for each such employee. The employee's contribution and the government's contribution earn interest at a rate specified by the government from time to time. On retirement, employee governed under the scheme is paid his contribution, the contribution made by the government and the interest earned on the total amount.

9.3 The SRPF scheme in the railways was replaced by the pension scheme as applicable to other central government employees, in November, 1957 and those employees who were in service on April 1, 1957 and were governed by the scheme were given an option to come under the pension scheme. Whenever changes occurred in the pension structure for the central government employees, an option was given to railway employees still covered by the scheme. Such options have been given on eleven occasions in the past and the last such option was valid upto December, 1985.

9.4 While pension scheme has been improved, enlarged and liberalised from time to time, there has been no similar improvement in the CPF scheme, excepting through improvement of rates of interest which were modified from 7 per cent in 1974 to 9 per cent in 1983-84, to 10 per cent in 1984-85 and to 12 per cent in 1985-86. While those governed by the pension scheme are entitled to receive dearness relief sanctioned from time to time to compensate for increase in the cost of living, those under the CPF scheme were not entitled to such relief. The employees governed by the CPF scheme are also not entitled to the family pension available to those governed by the pension scheme. The matching government contribution in the case of CPF employees is paid for the full period of service the restriction of 33 years for those governed by pension scheme does not apply in their case. Those who have retired under the CPF scheme have a corpus yielding regular return. In the case of railway employees, special contribution to PF is paid at the time of retirement equivalent to half a month's salary for each completed year of service subject to a maximum of 16 months' salary or Rs. 50,000 whichever is less. The amount of special contribution has been raised from time to time as and when the limit on death-cum-retirement gratuity was changed. Similar benefit is, however, stated to be not available in certain other organisations like Departments of Atomic Energy and Electronics.

9.5 As the pension scheme was introduced on the railways in 1957, those who retired earlier did not have an opportunity to opt for pension. It was, therefore, decided to give some ex gratia payment to them in consideration of the fact that the retirement benefits were lower than what they would have received if they had retired under the pension scheme. Since this applied mainly to

the low paid employees, the ex gratia payment ranging from Rs. 15 to 22.50 per mensem was sanctioned to those drawing pay upto Rs. 500 per month. They were also given relief on a graded scale subsequently. The amount of ex gratia payment together with the relief now ranges from Rs. 170 to Rs. 283 per mensem.

9.6 We have received a number of suggestions from individuals, associations and other organisations in respect of the CPF scheme. It has been stated that the objective of both the schemes, viz., pension scheme and the CPF scheme being the same, there should not be differences in the matter of retirement benefits between the pensioners and the beneficiaries of the CPF. It has been urged that the liberalisation in the pension scheme needs to be appropriately extended to the beneficiaries under the CPF scheme. Since the schemes are structurally different, equality of benefits under the two schemes is not feasible. We are, however, of the view that the CPF beneficiaries who have retired on low scales of pay deserve some measure of relief. We accordingly recommend that all the CPF beneficiaries who have retired prior to March 31, 1985 with a basic pay upto Rs. 500 per mensem may be given an ex gratia payment of Rs. 300 per mensem which will be in addition to the benefits already received by them under the CPF scheme. The ex-gratia payments and the periodic increases already received by those who retired on pay upto Rs. 500 may be so adjusted that the total ex gratia amount is not less than Rs. 300. We further recommend that ex gratia amount of Rs. 300 per mensem may be reviewed as and when dearness relief is sanctioned to pensioners.

9.7 Railways have suggested grant of ex gratia payment to the widows and dependent children of deceased employees covered by CPF scheme at 50 per cent of the rate for ex gratia payment. We agree and recommend accordingly for those getting pay upto Rs. 500 per mensem. The eligibility of widow and minor children for the purposes of this relief may be the same as laid down under the pension rules.

9.8 In so far as the CPF beneficiaries still in service on January 1, 1986 are concerned, we recommend that they should be deemed to have come over to the pension scheme on that date unless they specifically opt out to continue under the CPF scheme. The CPF beneficiaries who decide to continue to remain under that scheme should not be eligible on retirement for ex gratia payment recommended by us for the CPF retirees. Government may, however, extend the benefit of DCRG to CPF beneficiaries in other departments on the same lines as in railways.

9.9 Government may also consider the feasibility of giving an option to all other CPF retirees who are not covered under paragraph 9.6 above to come over to the pension scheme with effect from January 1, 1986 subject to their refunding to government the entire amount of government contribution inclusive of interest thereon credited to their provident fund account at the time of their retirement.

CHAPTER 10

PENSION STRUCTURE FOR PENSIONERS

10.1 Our terms of reference require us to examine, with a view to having a proper pension structure for pensioners—both past and future—the existing pension structure including death-cum-retirement benefits. According to the information received from the Department of Pension and Pensioners' Welfare there were about 16.62 lakh pensioners as on April 1, 1985, out of which 10.81 lakh were defence pensioners. The number of family pensioners (both civil and defence) on the same date was about 3.11 lakh. Pensioners drawing pension upto Rs. 500 were about 91.5 per cent of the total number of pensioners. The expenditure on pensions has been increasing over the years and the current budget estimate is about Rs. 1200 crore. The death-cum-retirement benefits for civilian employees have been considered by the previous three pay commissions, For the armed forces personnel, these benefits were for the first time, considered by the Third Pay Commission. Based on the recommendations of pay commissions, government has been making improvements in the pensionary benefits of various categories of government employees. The general practice in the past was to give the benefit of improvements for a prospective date. The various improvements made from time to time have been indicated elsewhere in this report.

10.2 A major change in the rules governing grant of pension was the introduction of the slab system for calculation of pension with effect from March 31, 1979. This liberalisation had come up for consideration before the Supreme Court. In its judgment dated December 17, 1982 in the *D.S. Nakara Vs. Union of India**, the Supreme Court held that all central government pensioners governed by pension rules were entitled to pension with effect from April 1, 1979 as computed under the liberalised pension formula irrespective of the date of their retirement. This was the first time that the benefit of certain improvements in pensionary benefits was extended to pensioners who had retired prior to the date from which improvements became effective. The Nakara judgment is a landmark in the evolution of pension structure for past pensioners and has laid down the law of the land in this regard. In terms of this judgment, the following improvements in pensionary benefits have already been extended by government to all existing pensioners,—

- (i) application of slab system for calculation of pension;
- (ii) calculation of average emoluments over the preceding ten months instead of thirty six months;
- (iii) benefit of qualifying service up to 33 years instead of 30 years; and
- (iv) raising the ceiling on pension to Rs. 1,500 per mensem.

10.3 Government has also extended in the past the benefit of minimum pension to existing pensioners. The minimum pension fixed from time to time was as follows,—

	Rupees per mensem
January 1, 1964	25/-
March 1, 1970	40/-
March 1, 1980	60/-
April 1, 1982	Pension plus relief to be not less than Rs. 150/-
April 1, 1983	Pension plus relief to be not less than Rs. 160/-

* A.I.R. 1983, SC 130.

The benefit of minimum pension fixed from March 1, 1970, April 1, 1982 and April 1, 1983 was extended to past pensioners also. We have not been able to obtain the basis adopted for fixing the minimum pension from time to time. The revision of minimum pension has generally benefited pensioners who were below the specified limits on different occasions.

10.4 Apart from improvements made by government in the pensionary entitlements based on the recommendations of pay commissions or on its own, there has also been a practice of merging the full dearness allowance or a part thereof in pay for working out the reckonable emoluments for computation of pension. The merger of dearness allowance has been done from time to time since the pay scales recommended by the First Pay Commission came into force. There were three occasions for merger of dearness allowance after the report of the Third Pay Commission. These were with effect from September 30, 1972 (index average 272), January 31, 1982 (index average 320) and recently on March 31, 1985 (index average 568). The merger of dearness allowance was, however, not done with effect from the date when the particular index average was reached. It was done on a subsequent date and was made applicable only to those who retired after that date. Generally, the employees were given the option to have their pensionary benefits worked out with reference to the pre-merged pay or pay after merger of dearness allowance. However, a departure was made from this practice at the time of the merger at index average 568 when it was laid down that where the amount of pension calculated after merger of D.A. upto 568 points resulted in loss as compared to the total amount of pension calculated on emoluments after merger of D.A. upto index average 320 with graded reliefs thereon, the loss should be made up by grant of personal pension to the retiree. A large number of employees who retired after March 31, 1985 are therefore in receipt of a personal pension. The personal pension introduced for the first time does not qualify for grant of any graded relief but continues as a separate element of pension.

10.5 Government had granted an interim relief ranging between Rs. 50/- and Rs. 100/- per month to central government employees with effect from June 1, 1983. Based on our recommendations, interim relief at the rate of 10 per cent of pay with a minimum of Rs. 50/- was granted with effect from March 1, 1985. Both these interim reliefs were reckoned as emoluments for computation of pension.

10.6 We have indicated elsewhere that the scheme of graded relief as it has operated in the past has provided more than 100 per cent neutralisation to certain categories of pensioners who retired after March 31, 1985. Some of these retirees are also in receipt of personal pension which was not extended to any category of pensioners in the past.

10.7 Government had also fixed a maximum limit on amount of pension plus graded relief for those who retired during different periods. In Department of Pension and Pensioners' Welfare O.M. No. 42(4)-P&PW/86 dated March 3, 1986 regarding grant of graded relief to pensioners with reference to index average 608 with effect from January 1, 1986, it has been stipulated that the amount of pension plus graded relief in the case of those governed by Tables I and II will not exceed Rs. 1938/- while in case of those governed by Table III it will not exceed Rs. 1863/-. We have not been able to obtain the reasons for prescribing a lower limit on the pension for later retirees.

10.8 On account of the various developments affecting the pension structure discussed in the preceding paragraphs, employees retiring from broadly comparable posts at different points of time are receiving different amounts of pension. These differences are due to the different emoluments drawn by the retirees at the time of retirement, on account of merger of dearness allowance with pay and due to graded relief granted from time to time.

10.9 Most of the pensioners' associations, and individual pensioners have drawn attention to the disparities in pensions of those who, in their view, are broadly comparable retirees. It has been

suggested that a method should be devised for equalisation of pensions. Suggestions have also been made that all retirees from armed forces should get the same rank pension as would be admissible to future retirees with reference to the revised scales of pay, irrespective of the dates of retirement. It has also been suggested that suitable increases may be given to past pensioners so that their pensions are broadly comparable to pensions of those retiring on the revised scales of pay. Suggestions have also been made for recomputation of pensions of all existing pensioners by removal of ceilings and treating the dearness allowance received by them as pay for purposes of pension.

10.10 We have given careful consideration to the various suggestions. The amount of pension undergoes changes as and when the pay scales are revised. Any attempt to equalise pension with reference to the revised scales of pay would, in fact, amount to retrospective application of these scales of pay. This aspect of the matter was considered by the Supreme Court in a case* dealing with revision of death-cum-retirement gratuity already received by past retirees on the basis of revised pension rules of 1980 promulgated by the Government of Andhra Pradesh from April 1, 1978. The Supreme Court observed that :

“Improvements in pay scales by the very nature of things can be made prospectively so as to apply to only those who are in the employment on the date of the upward revision. Those who were in employment say in 1950, 1960 or 1970, lived, spent and saved, on the basis of the then prevailing cost of living structure and pay-scale structure, cannot invoke Article 14 in order to claim the higher pay scale brought into force say, in 1980. If upward pay revision cannot be made prospectively on account of Article 14, perhaps no such revision would ever be made.”

The petition for payment of arrears of gratuity under the revised rules was dismissed by the Supreme Court. It is therefore difficult to accept the suggestion for equalisation of pension with reference to that admissible in the revised scales of pay. We have also considered the suggestion for treating the full dearness allowance drawn from time to time as emoluments for purposes of pension. We find that an application of this principle would result in uneven amounts of pension not only at different levels but even in the case of employees drawing same pay but retiring during different periods. In some cases, those who retired earlier may get a higher pension if the graded relief admissible thereon is also taken into account. Moreover, this would involve a considerable administrative and accounting work without conferring any uniform benefit to various categories of pensioners.

10.11 It seems to us that the application of any one formula is not likely to benefit all categories of past pensioners. The matter has therefore to be viewed from a perspective which not only confers benefit to the pensioners who deserve it but is also simple and easy to administer. As a regular scheme for graded relief came into force from 1973 only, those who had retired earlier did not have the benefit of any protection of their pensions. Prior to 1973, only some ad-hoc relief was given on a few occasions. It has also to be borne in mind that there are pensioners who retired many years ago and whatever relief is to be provided should be such that it is easily given to them by the pension disbursing authorities without requiring any detailed recalculation of pension by the pension sanctioning authorities and processing through various channels.

10.12 In this background, we have examined the question of simplification and rationalisation of the existing pension structure for pensioners. In Chapter 11 we have recommended a regular scheme for grant of relief to pensioners for price rise over index average 608. Since this scheme is to apply both to employees who retire in future and the existing pensioners, it is necessary that the pension structure for existing pensioners is simplified so as to relate it to the relief scheme recommended by us. We note that for purposes of admissibility of graded relief, the existing pensioners

* S.L.P. 14179-80, 1985, State Government Pensioners Association and Others Vs. State of Andhra Pradesh,

have been divided into four categories broadly with reference to the date of retirement which, in turn, is based on the dates when the various mergers of dearness allowance with pay took place. The percentage of graded relief is also different for pensioners falling within these four categories. Four tables are presently being used by all pension disbursing authorities for determination of graded relief on the pensions being disbursed by them. We are of the view that any additional relief to the existing pensioners should be based on these tables with which the disbursing authorities are fully conversant. The tables showing the position of graded relief at index average 608 are contained in the Department of Pension and Pensioners' Welfare O.M. No. 42(4)-P&PW/86 dated March 3, 1986.

10.13 The present scheme of graded relief based on the recommendations of the Third Pay Commission provides for dearness relief at the rate of 2.5 per cent of pension subject to a maximum of Rs. 12.50 for every eight-point increase in the index average. The maximum amount of relief of Rs. 12.50 works out on pension of Rs. 500/- per mensem which is also given to those drawing pension above Rs. 500/-. Further, there has also been a restriction on the amount of pension plus graded relief. As mentioned earlier, in case of those governed by Tables I & II, pension plus graded relief at index average 608 is not to exceed Rs. 1938 but for those governed by Table III it is not to exceed Rs. 1863. The effect of these restrictions is that those drawing pension above Rs. 500/- have not been given adequate relief against price rise in the past. We think that this situation needs to be rectified while evolving a proper pension structure for all existing pensioners.

10.14 Taking into account all relevant factors we recommend that both civil and defence pensioners drawing pension upto Rs. 500 per mensem including family pensioners and persons in receipt of extra-ordinary pension may be granted additional relief at the following rates,—

Categories of pensioners drawing pension upto Rs. 500 per mensem	Amount of additional relief
1. Those governed by Table I of O.M. No. 42(4)-P&PW/86 dated March 3, 1986 of Department Pension and Pensioners' Welfare.	15 per cent of the amount of pension plus of graded relief subject to a minimum of Rs. 75/-.
2. Those governed by Tables II and III of the above O.M.	10 per cent of the amount of pension plus graded relief subject to a minimum of Rs. 50/-.

NOTE : Pension will be inclusive of commuted portion of pension, if any. In the case of pre-January 1, 1973 retirees pension will also include temporary increase/ad hoc increase/ad relief as provided under existing orders.

10.15 We are of the view that a different formulation is required to provide necessary relief in the case of pensioners drawing pension above Rs. 500 per mensem. Since in the case of these pensioners the graded relief is presently pegged to the amount admissible on pension of Rs. 500, the amount of relief actually provided to them is much less than 127.5 per cent indicated in Table I, 107.5 per cent in Table II and 92.5 per cent in Table III of Department of Pension and Pensioners' Welfare O.M. No. 42(4)-P&PW/86 dated March 3, 1986. This has therefore eroded the real value of pension admissible at these levels. In Chapter 11 we have recommended the manner in which relief should be given to pensioners in future. Keeping that in view we recommend that the amount of graded relief in the case of those getting pension above Rs. 500 should be raised to a level of about 75 per cent of the above mentioned rates without any ceilings. Accordingly, we recommend

that the relief in the case of both civil and defence pensioners drawing pension above Rs. 500, may be recalculated in the manner indicated below. The amount so recalculated will be in lieu of graded relief admissible at index average 608, subject to the condition that it will not be less than the actual relief received at that index and the increase stipulated below :

Categories of pensioners drawing pension above Rs. 500 per mensem	Amount of relief
1. Those governed by Table I of the above O.M.	95 per cent of pension subject to a minimum increase of Rs. 175.
2. Those governed by Table II of the above O.M.	80 per cent of pension subject to a minimum increase of Rs. 125.
3. Those governed by Table III of the above O.M.	70 per cent of pension subject to a minimum increase of Rs. 100.

NOTE : Pension will be inclusive of commuted portion of pension, if any. In the case of pre-January 1, 1973 retirees, pension will also include temporary increase/ad hoc increase/ad hoc relief as provided under existing orders.

10.16 Pensioners governed by Table IV of the above O.M. have already been given the benefit of merger of dearness allowance at index average 568 for pensionary benefits and the graded relief in their case generally provides a neutralisation of more than 100 per cent. No further relief is therefore called for in their case.

10.17 We have recommended in chapter 5 that in future pension should in all cases be uniformly worked out at 50 per cent of pay instead of the slab system. The benefit of this should also be admissible to all the existing pensioners and the ceiling on pension plus graded relief should not apply to those who retired prior to March 31, 1985. This benefit should not however be taken into account for computation of additional relief recommended in para 10.15.

10.18 As indicated in para 10.3 the minimum pension plus relief is at present Rs. 160/-. The minimum family pension plus relief is Rs. 150/-. We consider that in the present day conditions, the minimum pension needs to be raised. We accordingly recommend that wherever the existing pension together with the relief admissible at index average 608 and the additional relief recommended by us in paragraph 10.14 works out to less than Rs. 300/-. the same should be raised to Rs. 300/- per mensem. This minimum shall also apply to future pensioners.

10.19 After the pension structure for the existing pensioners has been revised in the light of the recommendations made in the preceding paragraphs, the reliefs presently admissible and those recommended by us should be consolidated with the pension in every case and the total amount so arrived at should be deemed as pension in the pension structure proposed by us with effect from January 1, 1986 at index average 608. This consolidated amount of pension should be the basis for grant of relief in future in accordance with the formula recommended by us in chapter 11. The additions to pension at a result of our recommendations in this chapter will not however qualify for any additional commutation for existing pensioners.

10.20 As mentioned earlier, a number of pensioners who retired from March 31, 1985 onwards are in receipt of personal pension which does not qualify for grant of graded relief at present. In order to rationalise and simplify the pension structure, we are of the view that personal pension introduced for the first time may not continue as a separate element for a few retirees only. Government may

consider paying a lump sum amount in lieu of the personal pension on a basis considered appropriate so that this does not continue as a separate element in the rationalised pension structure suggested by us.

10.21 A few illustrations indicating the manner in which the existing pension structure will be rationalised in the light of our recommendations are given below :

(A) For pensioners drawing pension upto Rs. 500/- per mensem. (para 10.14)

Illustration No. 1 — Pre-January 1, 1973 pensioners governed by Table I

1. Reckonable emoluments	Rs. 35
2. Existing pension	Rs. 40
3. Temporary Increase/Ad hoc increase/Ad hoc relief.	Rs. 18
4. Graded relief at index average 608	Rs. 128
5. Total	Rs. 186
6. Additional relief at 15 per cent of(5) above subject to a minimum of Rs. 75	Rs. 75
7. Total pension with effect from January 1, 1986	Rs. 261 To be raised to minimum pension of Rs. 300.

Illustration No. 2 — Post-January 1, 1973 pensioner governed by Table I.

1. Reckonable emoluments	Rs. 800
2. Existing pension	Rs. 400
3. Graded relief at index average 608	Rs. 510
4. Total	Rs. 910
5. Additional relief at 15 per cent of (4) above	Rs. 137
6. Total pension with effect from January 1, 1986	Rs. 1047

Illustration No. 3 — For pensioners governed by Table II

1. Reckonable emoluments	Rs. 327
2. Existing pension	Rs. 164
3. Graded relief at index average 608	Rs. 177
4. Total	Rs. 341
5. Additional relief at 10 per cent of (4) above subject to minimum of Rs. 50	Rs. 50
6. Total pension with effect from January 1, 1986	Rs. 391

Illustration No. 4—For pensioner governed by Table III

1. Reckonable emoluments	Rs. 987
2. Existing pension	Rs. 494
3. Graded relief at index average 608	Rs. 457
4. Total	Rs. 951
5. Additional relief at 10 per cent of (4) above	Rs. 96
6. Total pension with effect from January 1, 1986	Rs. 1047

(B) For pensioners in receipt of pension above Rs. 500 per mensem (para 10.15 and para 10.17)

Illustration No. 5 — For pensioner governed by Table I

1. Reckonable emoluments	Rs. 1200
2. Existing Pension	Rs. 590
3. Graded relief at index average 608	Rs. 638
4. Total	Rs. 1228
5. Proposed relief at 95 per cent of pension at (2) above subject to minimum increase of Rs. 175	Rs. 813
6. Difference on account of re-calculation of pension at 50 per cent	Rs. 10
7. Total pension with effect from January 1, 1986	Rs. 1413

Illustration No. 6—For pensioner governed by Table II

1. Reckonable emoluments	Rs. 1843
2. Existing pension	Rs. 863
3. Graded Relief at index average 608	Rs. 538
4. Total	Rs. 1401
5. Proposed relief at 80 per cent of pension at (2) above	Rs. 691
6. Difference on account of recalculation of pension at 50 per cent.	Rs. 59
7. Total pension with effect from January 1, 1986	Rs. 1613

Illustration No. 7 — For pensioner governed by Table III

1. Reckonable emoluments	Rs. 2050
2. Existing pension	Rs. 945
3. Graded relief at index average 608.	Rs. 463
4. Total	Rs. 1408
5. Proposed relief at 70 per cent of pension at (2) above	Rs. 662
6. Difference on account of recalculation of pension at 50 per cent.	Rs. 80
7. Total pension with effect from January 1, 1986	Rs. 1687

Illustration No. 8 — For pensioner governed by Table IV

1. Reckonable emoluments	Rs. 2034
2. Existing pension	Rs. 939
3. Graded relief at index average 608	Rs. 63
4. Total	Rs. 1002 + 92 (personal pension)
5. Difference on account of recalculation of pension at 50 per cent	Rs. 78
6. Total pension with effect from January 1, 1986	Rs. 1080 (excluding personal pension).

CHAPTER 11

PENSIONS AND INFLATION

11.1 In this chapter we have examined the problems faced by pensioners due to erosion in their standard of living through inflation which were emphasised before us. In the past, efforts were made by government to adjust pensions with reference to movement in prices. The adjustments made and their impact on different groups of pensioners have, however, been uneven.

11.2 Prior to August 1, 1973, there was no regular scheme for compensating pensioners for increase in prices. Certain temporary/*ac-hoc* increases in pension were, however, given by government from time to time as indicated below :—

Date	Amount of pension Rs. per mensem	Amount of relief Rs. per mensem
(1)	(2)	(3)
(1) April 1, 1958 (temporary increase)	Upto 50 Above 50 but not above 100 Above 100	10.00 12.50 Marginal adjustments upto 112.50
(2) October 1, 1963 (<i>ad hoc</i> increase)	Up to 30 Above 30 but not above 75 Above 75 but not above 200 Above 200	5.00 7.50 10.00 Marginal adjustments up to 210
(3) September 1, 1969 (<i>ad hoc</i> increase)	Rates in Col. 3 of (2) above were increased by Rs. 10 with an overall limit of Rs. 220 on pension plus <i>ad hoc</i> increase.	
(4) January 1, 1973 (<i>ad hoc</i> relief)	Below 85 85—209 210—499 500 and above	15.00 21.00 25.00 35.00

11.3 A regular scheme of providing dearness relief to pensioners based on increase in the 12-monthly average of All India Working Class Consumer Price Index (1960=100) was for the first time recommended by the Third Pay Commission. The Commission had noted that under the provisions of U.K. Pensions (Increase) Act, 1971, the British government had abandoned the concept of relief of hardship and had accepted an unqualified obligation to maintain the purchasing power of public service pensions. While not favouring the adoption of the UK practice, as the conditions in that country differed, the Commission felt that there was enough justification for giving relief on a regular basis to future pensioners. The Commission recommended dearness relief

at the rate of 5 per cent of pension subject to a minimum of Rs. 5/- and a maximum of Rs. 25/- per mensem for pensioners to compensate for every 16 point increase in index average. Government implemented this recommendation. A modification in the scheme was made from December 1, 1980, when government decided to give dearness relief to pensioners for every 8 points increase in index average at the rate of 2.5 per cent of pension subject to a minimum of Rs. 2.50 and a maximum of Rs. 12.50 per mensem. In actual implementation, however, relief is given at Rs. 13/- and Rs. 12/- per mensem for every alternate increase of 8 points in index average.

11.4 When the scheme of dearness relief to pensioners was first introduced, the dearness relief of 5 per cent of pension subject to a minimum of Rs. 5/- and a maximum of Rs. 25/- per mensem for every 16 points increase in index average provided a neutralisation of about 62 per cent to pensioners drawing pension upto Rs. 500/- per mensem. Subsequently, with effect from September 30, 1977 dearness allowance upto index average 272 was merged with pay for pensionary benefits. This resulted in increased amount of pension in the case of those retiring on or after the above date. No change was, however, made in the formula for the grant of dearness relief in the case of these retirees with the result that they got the benefit of dearness relief even on additional pension admissible to them on the merged dearness allowance. Accordingly while in case of those retiring prior to September 30, 1977 the dearness relief provided a neutralisation of about 62 per cent for price increase to pensioners drawing pension upto Rs. 500/- per mensem, the neutralisation for price rise worked out to about 85 per cent for the pensioners who retired thereafter. The same thing happened when merger of dearness allowance with pay took place from January 31, 1982 and March 31, 1985. For those retiring on or after these dates neutralisation for price rise increased further. It went up to 100 per cent with the merger at index average 320 and at index average 568 the percentage of neutralisation at these levels of pension went up to as high as 178 per cent. It is not clear if this was intended as such, but obviously any scheme of compensation against price rise providing neutralisation of more than 100 per cent would appear to be unintended.

11.5 The suggestions made by unions of employees with regard to relief on pension are : (i) that pension should be fully indexed against price rise, and (ii) dearness relief to pensioners should be the same as dearness allowance payable to serving employees. It has been urged that since the income of pensioners is already reduced to 50 per cent or less as compared to the pay drawn by them before retirement, price increase affects them much more than the serving employees. It has also been stated that since the pensioners do not get benefits like government accommodation, medical facilities, compensatory allowances and travel concession, any erosion of their pension hurts them much more than the serving employees.

11.6 The long term aim of a pension policy should be to provide a reasonable standard of living which could be deemed to be satisfactory to retired government employees. We have dealt with the factors that should be taken into account in determining pension in Chapter 2 of this report. The erosion in the value of pension has been a matter of concern and rightly a large number of pensioners have urged for protecting the purchasing power of pension through a proper scheme of compensation against price rise. The matter has also assumed importance due to the increase in the number of pensioners, longer life span and impact of inflation on pension.

11.7 At present the dearness relief payable to pensioners has no relation to the compensation for price rise which was admissible to them while they were in service. The relief is also subject to a ceiling of Rs. 12.50 for every increase of 8 points in the 12-monthly index average which becomes applicable to all pensioners drawing pension above Rs. 500/- per mensem. This has created a number of anomalies in the existing pension structure. We have recommended a regular scheme

for compensation against price rise to serving employees in Part I of our report. We are of the view that the pensioners also need to be given relief against price rise as a regular arrangement. We accordingly recommend that the dearness relief in future should provide full neutralisation of price rise to pensioners drawing pension upto Rs. 1750 per mensem, 75 per cent to those getting pension between Rs. 1751 and Rs. 3000 and 65 per cent to those getting pension above Rs. 3000 subject to marginal adjustments. We also recommend that the price rise for purposes of grant of relief to pensioners in future should be worked out in the same manner as recommended for serving employees in Part I of our report. The relief at the rates recommended above may be given twice a year. We recognise that there may be situations when the government may not find it possible to grant relief according to the scheme recommended by us. In such situations the restraint, if any, should apply uniformly to serving central government employees as well as pensioners.

11.8 So far as the existing pensioners are concerned we recommend that their pension structure may be rationalised and consolidated in the manner recommended by us in Chapter 10. Relief for price rise beyond index average 608 may be given at the rates recommended above on the consolidated amount of pension.

11.9 A table illustrating how the relief to pensioners should be worked out is at Annexe 11.1.

ANNEXE 11.1
(See paragraph 11.9)

Basic pension range for grant of relief	12 monthly index average to which basic pension related	12 monthly index average for June 1986	Relief payable from July, 1986	Assumed 12 monthly index average for December 1986	Total relief payable from January 1987	Assumed 12 monthly index average for June, 1987	Total relief payable from July, 1987	Assumed 12 monthly index average for December, 1987	Total relief payable from January, 1988
1	2	3	4	5	6	7	8	9	10
(i) Upto Rs. 1750	608 (December 1985)	632.42 or 4.01 per cent increase over 608	4 per cent of basic pension	637 or 4.76 per cent increase over 608	4 per cent of basic pension	700 or about 15.13 per cent increase over 608	15 per cent of basic pension	760 or about 25 per cent increase over 608	25 per cent of basic pension
(ii) Between Rs. 1751 and Rs. 3000	- do -	- do -	3 per cent of basic pension	- do -	3 per cent of basic pension	- do -	11 per cent of basic pension	- do -	18 per cent of basic pension
(iii) Above Rs. 3000	- do -	- do -	2 per cent of basic pension	- do -	3 per cent of basic pension	- do -	9 per cent of basic pension	- do -	16 per cent of basic pension

CHAPTER 12

PENSION PROCEDURES

12.1 The procedure for processing pension cases of central government civilian employees is laid down in the Central Civil Services (Pension) Rules, 1972 (pension rules). In respect of railway employees and members of the all-India Services, separate pension rules exist and the procedure laid down is similar to that under the pension rules. Under the pension rules the head of office is entrusted with the responsibility of initiating the work of preparation of pension papers two years before the date on which a government employee is due to retire. The responsibility for ascertaining and recovering government dues from an employee due for retirement also rests with the head of office and all such dues are required to be adjusted against the amount of death-cum-retirement gratuity payable to the employee. In cases where departmental or judicial proceedings are pending against an employee, the existing rules provide for sanctioning provisional pension. Specific instructions issued vide Government of India, Ministry of Finance, O.M. No. F. 11(19) E. II(A)/58 dated 29th October, 1958 and No. F. 18(7)-E.V(B)/65 Pt. v dated 24th June, 1966 already lay down the procedure to be adopted for ensuring timely verification of service in respect of government employees. Existing rules also provide specific time-frame for every phase of the entire procedure for sanction of pension. In the event of the procedure remaining incomplete at the time of an employee's retirement, the head of office is also empowered to sanction provisional pension.

12.2 Pensioners and their associations have mentioned difficulties experienced by them due to delay in sanction and payment of pension. They have also drawn attention to the time consuming procedure for transfer of pension account from one place to another. Doing away with the system of verification of service, modifying the pensioner's portion of the Pension Payment Order to include necessary particulars for future revision of pension, providing ready reckoners to different pension disbursing offices, computerisation of pension records and decentralisation of pension sanctioning authority are some of the other suggestions that have been offered. They have also mentioned about the delay in getting dearness relief.

12.3 The pension rules and existing instructions on the subject provide a rigid time-frame for dealing with pension cases and if this is observed every retiring government employee should be able to get his pension immediately on retirement. As the existing rules permit voluntary retirement after 20 years of service, it is necessary that a complete review of the service particulars of every employee should be undertaken at this stage. A certificate should thereafter be recorded in the service documents to facilitate processing of his pension case when he is due to superannuate. We are of the view that it is not desirable to encourage the present tendency to continue provisional pension payments to retiring employees. In fact, government should adopt suitable measures to tone up the administration and ensure that every retiring employee gets his pension payment order on the day of his retirement. We further recommend that appropriate interest should be paid to the pensioner for any delay in sanctioning pension beyond three months from the date of his retirement.

12.4 It is also necessary that relevant information such as reckonable service and pay at retirement are provided to each pensioner, so that he is in a position to verify the correctness of the amount of pension received by him. The pension payment order may be modified to include this information. The Department of Pension and Pensioner's Welfare should look into this aspect and also try to build up a detailed and easily accessible databank about pensioners of various categories in different organisations of Government of India.

12.5 Members of all-India services, are governed by the procedure prescribed by their state governments for drawal of pensions. In the case of central government employees, the facility for payment of pension through public sector banks has been provided under a scheme prepared by the Controller General of Accounts known as "The Scheme for Payment of Pension of Central Government Civil Pensioners by Public Sector Banks". This scheme has been adopted only by some of the state governments. In other states this facility has not been extended. It is noted that the Controller General of Accounts, in consultation with the Reserve Bank of India, has issued instructions vide letter No. 17012/General/79/CGA/1738 dated 16th July, 1979 expanding the scope of the schemes launched by some of the state governments so as to provide for payment of pension through public sector banks, subject to specified conditions. We recommend that the government should evolve a simple system of payment of pension through banks all over the country, particularly for members of all-India services.

12.6 Pension is disbursed through treasuries, banks, post offices and in the case of armed forces personnel, through Defence Pension Disbursing Offices (DPDO) also. The Pension Payment Order (PPO) issued to a government employee on retirement indicates his identity and the amount of pension to be paid to him. The family pension to be paid to his family after his death and the identity of the family members are also included in the PPO. Pensioners have represented that they are put to a lot of inconvenience in drawing their pension from the treasury. The procedure for preparation of pension bill is time consuming and the system of filing and retrieval of records has not changed over the years. Even identification of the pensioner from his photograph often takes time. These procedures need to be simplified and streamlined. We recommend that government may examine the feasibility of introducing a pension book for all pensioners. A beginning towards mechanisation can also be made by introducing modern filing and indexing systems and by the use of electronic calculators. Suitable facilities should also be provided to pensioners while they wait at pension disbursing office to draw their pension.

12.7 Disbursement of pension through banks was introduced to facilitate prompt payment to pensioners. It has been pointed out that the banks attach less importance to pension accounts compared to commercial accounts. Pensioners have difficulty in satisfying themselves regarding the credit of pension reliefs and arrears, because bank pass books do not give the details. Since pension distribution through banks has assumed considerable importance a time has come for the banks to modernize their pension disbursement system. A change of attitude on the part of bank personnel is also required and pension disbursement should not be treated by the banks as a routine activity. This work should be viewed as a social obligation which the banks discharge on behalf of the government. Pensioners should be treated as respected senior citizens and special counters should be opened for them.

12.8 The use of computers in government work is increasing and pension disbursement appears to be a suitable area for this purpose. Mechanical and electronic cash registers can also be used at pension distribution counters to expedite accounting and payments of pension. It is, however, necessary that before introducing computers, the system of pension disbursement is suitably streamlined. It may be examined if pensioners could be allotted identification numbers so as to facilitate computerisation of data. This will be a first step towards computerisation. We recommend that the Department of Pension and Pensioners' Welfare should set up an expert body to study pension disbursement system and streamlining of the existing procedures. In fact, this should be a continuing effort so as to provide maximum satisfaction to the pensioners. This department should play a leading role in the coordination and efficient implementation of a modern pension system. The responsibility for dealing with all pension matters including grievances of pensioners should be of this department.

CHAPTER 13

DEATH-CUM-RETIREMENT BENEFITS OF ARMED FORCES PERSONNEL

13.1 We have made recommendations regarding the structure of emoluments, allowances, benefits, etc. for armed forces personnel in Part I of our report. In making these recommendations, we took note of the peculiar conditions of their service, rigours and hazards of service life, their truncated career, liability for recall, constraints of organisational structure, etc. We expect that the package of compensation recommended by us will provide the required incentives to young entrants taking service in the armed forces as a career. The retirement benefits have also to be treated as an integral part of the remuneration structure and to be meaningful these have to be comprehensive and related to the peculiar conditions of service in the armed forces. We have kept this in view while making our recommendations.

13.2 The retirement benefits which are known as "non-effective benefits" in the armed forces, include benefits like retiring pension, family pension, disability pension, commutation of pension and death-cum-retirement gratuity. Our examination of the non-effective benefits is based on the proposals received from the three services headquarters. Initially we received separate proposals. In June, 1985 we received joint proposals in regard to these benefits. After receipt of Part I of our report, the services headquarters sent revised proposals on pension structure for the past and future pensioners of the armed forces in August, 1986. In our examination of the pension structure for the service personnel, we have taken into account the joint proposals received in August, 1986, comments of the Defence Ministry on various points as also various clarifications received from time to time. We also had discussions with the three Service Chiefs and with the Defence Secretary and other officers of the Defence Ministry on these matters. The discussions were very useful for our work.

13.3 The pension code for armed forces personnel came into effect from June 1, 1953 based on the recommendations of the Armed Forces Pension Revision Committee (AFPRC). Subsequently, death-cum-retirement gratuity (DCRG) was introduced for servicemen in September, 1970. The recommendations of the Third Pay Commission introduced certain major changes in the pension code. In January 1982 a study group was constituted under the chairmanship of a senior officer to carry out an in-depth study of the existing pension structure of servicemen, to identify the areas of short-comings and to make recommendations considered necessary. The recommendations by this study group in regard to pensionary and other terminal benefits of servicemen were examined by government and it was decided that the matter should be considered by Fourth Pay Commission.

Retiring Pension

Officers

13.4 A.F.P.R.C. had made recommendations regarding the periods of standard service and also the standard rates of pension for each rank. The standard rate of pension was admissible if the standard period of service had been rendered. Where the service rendered fell short of the standard service, pension was to be reduced at the prescribed rate.

13.5 The concept of standard period of service and standard rate of pension was recommended to be continued by Third Pay Commission also. They also recommended certain weightages to the standard period which were modified by government as indicated below:—

Rank	Standard period of service	Weightage recommended by Third Pay Commission	Weightage allowed by government
2nd Lt./Lt.	20	7	9
Captain	20	7	9
Major	22	6	8
Lt. Col. (TS)	26	5	5
Lt. Col. (Selection)	24	5	7
Colonel	26	5	7
Brigadier	28	5	5
Maj. General	30	—	3
Lt. General	30	—	3
General	30	—	3

The concept of standard period of service and standard rate of pension to be calculated by adding the weightages continues. The rates of standard pension have been modified as and when any change has occurred in the emoluments or the formula like the slab system for calculating pension.

Other ranks

13.6 The concept of standard rate of pension is also applicable to personnel below officer rank with the difference that no standard period of service is fixed and the retiring pension is calculated with reference to qualifying service with weightage of 5 years. Standard rate of pension is worked out separately for each of the ranks in different pay groups. This was recommended by Third Pay Commission which had come to the conclusion that for servicemen retiring around the age of 35-40 years the pension should not be viewed as their sole means of livelihood because at that age the serviceman can be reasonably expected to be gainfully occupied after retirement. The slab system is also applicable to personnel below officer rank for working out their retiring pension.

13.7 In their earlier joint proposals regarding pay structure and non-effective benefits, services headquarters had suggested running pay band covering all officers and had also suggested retiring pension to be calculated separately for each officer with reference to last pay. In the subsequent proposals received after submission of Part I of our report, they have suggested continuance of rank pension although an integrated pay scale covering officers upto the rank of Brigadier had been recommended in Part I of our report. Ministry of Defence has pointed out that as rank pensions are based on maximum of scales, it may not be feasible to lay down standard rates of rank pension. In so far as personnel below officer rank are concerned, the services headquarters have suggested continuance of rank pension with the existing weightage of 5 years being increased to 10 years.

13.8 Having regard to rank structure and other service conditions, an integrated pay scale covering a span of 28 years along with rank pay as a separate element, has been recommended by us for officers from the rank of 2nd Lt. to Brigadier in Part I of our report. This ensures a steady pay progression, even for those who are not able to make the mark because of organizational constraints. In view of the integrated scale of pay the existing system of rank pension for officers needs to be modified. In fact as already mentioned this was proposed by services headquarters while suggesting running pay band for officers. We recommend that retiring pension may be based for each officer, who has completed the prescribed service for earning pension, on his pay and the actual qualifying service rendered by him. We also recommend that the weightage of service, as presently admissible may continue subject to the condition that total qualifying service including weightage will not be more than 33 years.

13.9 In the case of personnel below officer rank, we recommend continuance of the existing system of standard rate of pension for each rank in the various pay groups with the existing weightage.

13.10 The services headquarters have suggested that the quantum of pension for each rank should be calculated at a flat rate of 50 per cent of the maximum pay (including rank pay). We have recommended improved pay scales for armed forces personnel in Part I of our report. The time span of many of the scales for personnel below officer rank has been further improved by government at the time of implementation of our recommendations. We have recommended in Chapter 5 that pension which confers a long term benefit should be related to basic pay only and that instead of the slab system, it should be calculated at 50 per cent of pay drawn during the last ten months of service. We recommend that for armed forces personnel also pension should be worked out on a similar basis with rank pay added to the basic pay.

We have recommended ceiling of Rs. 4500/- per mensem on basic pension in Chapter 5. This will apply to armed forces personnel also.

13.11 Services headquarters have suggested that full pre-commissioned service rendered under the central government whether in civil department or in armed forces should be taken into account for working out the qualifying service for earning pension. It has also been suggested that the requirement of a satisfactory service certificate for admissibility of pension may be dispensed with. Ministry of Defence has supported these suggestions. We agree and recommend accordingly.

Commutation of pension

13.12 Our recommendations in Chapter 8 regarding commutation of pension will apply to armed forces personnel also.

Retiring/Service Gratuity

13.13 The minimum qualifying service for retiring pension is 20 years for officers and 15 years for personnel below officer rank. Where the service rendered is less than 20 years/15 years respectively, retiring/service gratuity is paid.

13.14 Service gratuity is admissible at reduced rates in cases of discharge on compassionate grounds/personal reasons. We recommend that retiring/service gratuity may be paid at a uniform rate of one month's pay for every completed year of service for armed forces personnel. It has been suggested by the Ministry of Defence that since premature retirement/discharge is permitted by government only in deserving cases, there should be no reduction in service gratuity irrespective of the type of retirement. We agree and recommend accordingly.

Death-cum-Retirement Gratuity (DCRG)

13.15 Our recommendations in Chapter 5 regarding D.C.R.G. will apply to armed forces personnel also. It has been pointed out that the weightage of service for working out retiring pension is not

added for purposes of DCRG. Services headquarters have suggested a weightage of 5 years for this purpose. Ministry of Defence has also suggested the same. We agree and recommend that 5 years may be added to the actual qualifying service for determining D.C.R.G. subject to the actual qualifying service plus weightage not exceeding 33 years.

Disability pension

13.16 Any disablement caused due to a wound, injury or disease which is attributable to or aggravated by military service, is compensated by grant of disability pension in cases where servicemen are invalided/released/retired from military service. The disability pension comprises service element and disability element. The service element is determined with reference to service rendered upto the time of invalidment and disability element is determined with reference to the degree of disablement. At present the disability element is admissible at the following rates where the disability is assessed as 100 per cent :—

Rank	Amount per mensem
Officers	Rs. 200/-
Hony. Commissioned Officers	Rs. 170/-
Subedar Major/Subedar/Naib Subedar and equivalent in other services.	Rs. 110/-
Havildar/Naik and equivalent in other services	Rs. 60/-
Sepoy and equivalent in other services.	Rs. 45/-
Non-Combatant (enrolled)	Rs. 40/-

For disabilities lower than 100 per cent and upto 20 per cent, the above rates are reduced proportionately.

13.17 A committee on disability pension was appointed under the Ministry of Defence in April, 1986 to examine the existing criteria/principle on the basis of which disability element is assessed and to make recommendations for rationalizing the same to remove the anomalies, if any, in the existing criteria. The committee submitted its report in July, 1986 and a copy of the report was also received by us.

13.18 The services headquarters have suggested that where invalidment occurs prior to completion of 20 years of service in case of officers and 15 years in case of personnel below officer rank, the service element in disability pension should be equal to the retiring pension admissible to the appropriate ranks in the 20th and 15th year of service, respectively. It has been suggested by Ministry of Defence that for the sake of simplicity, service element, both for officers and personnel below officer rank may be fixed at retiring pension admissible at the time of invalidment after including service weightage even if actual length of service does not qualify for pension. We agree with the suggestion of the Ministry of Defence and recommended accordingly. In the case of personnel below officer rank, the service element may continue to be not less than 2/3rd of the minimum retiring pension of the rank.

13.19 In regard to quantum of disability element, the services headquarters have suggested that the existing difference between officers and personnel below officer rank may be dispensed with and disability element given at a uniform rate of Rs. 600/- per month. The entitlements of officers and personnel below officer rank for disability element have all along been different since 1939 when the disability pension was sanctioned for the first time. The A.F.P.R.C. had recommended disability element of Rs. 150/- for 100 per cent disability for officers and disability element ranging between Rs. 25/- and Rs. 90/- for personnel below officer rank. The existing rates which are based on the recommendations of Third Pay Commission also maintain the differentiation as indicated in paragraph 13.16.

13.20 Taking all factors into consideration, we recommend that the existing rates of disability element may be revised as follows for 100 per cent disability,—

Rank	Amount per mensem
Officers and Honorary Commissioned Officers	Rs. 600/-
Junior Commissioned Officers, personnel below officer rank and Non-Combatant (enrolled)	Rs. 450/-

For disabilities lower than 100 per cent and upto 20 per cent, the above rates may be reduced proportionately. The rates of disability element recommended by us may be extended to all existing disability pensioners also.

13.21 We have also examined the suggestion of the services headquarters for payment of 100 per cent commuted value of disability element when the disability is assessed as permanent, but the individual is retained in service. We agree with the suggestion and recommend accordingly.

13.22 It has been pointed out that the existing procedure for adjudication of the claim for disability pension takes considerable time. The committee on disability pension had suggested that the powers regarding adjudication of the claim for disability pension may be withdrawn from the Ministry of Defence/Controller of Defence Accounts (Pension) and that the recommendations of the medical boards may be accepted.

13.23 We do not recommend any change in the existing procedure for adjudication of the claims for disability pension for officers. The adjudication of the claim for disability pension in case of personnel below officer rank may be entrusted to a committee under the military wing of the cabinet secretariat with representatives of Ministry of Defence, its finance division, Director General Armed Forces Medical Services and the three services headquarters. There may be an appropriate Appellate Committee in the Ministry of Defence.

Constant Attendant Allowance

13.24 Armed forces personnel in receipt of disability pension for 100 per cent disablement are granted constant attendant allowance if in the opinion of the invaliding/resurvey board such services are required. Based on the recommendations of Third Pay Commission, constant attendant allowance for non-battle casualties was fixed at Rs. 60/- per month for officers and Rs. 45/- per month for personnel below officer rank. As regards battle casualties, the rate of constant attendant allowance was Rs. 75/- per month. These rates were revised in 1985 to Rs. 150/- per month for non-battle casualties and Rs. 200/- per month for battle casualties. The difference between officers and personnel below officer rank in the matter of constant attendant allowance was abolished. We are of the view that where in the option of the medical board it is necessary to have a constant attendant, there may be a uniform rate of the allowance both for battle and non-battle casualties. We accordingly recommend that the constant attendant allowance may be sanctioned at the rate of Rs. 300/- per month both for officers and personnel below officer rank, subject to fulfilling all existing conditions. In case of existing disability pensioners in receipt of this allowance, the amount may be raised to Rs. 300/- per month.

Invalid pension

13.25 Where armed forces personnel are invalided out of service on account of causes neither attributable to nor aggravated by military service, they are paid invalid pension if the service rendered

is not less than 10 years. D.C.R.G. is also payable in addition to the invalid pension/gratuity if the minimum qualifying service of 5 years has been rendered. It has been suggested that the service element of disability pension may be given as invalid pension. We agree and recommend accordingly.

Ordinary Family Pension

13.26 Ordinary family pension is granted to the family of serviceman who dies while in service or after discharge from service, on account of causes which are neither attributable to nor aggravated by military service. Our recommendations in regard to family pension in Chapter 6 will apply to armed forces personnel also.

Special Family Pension

13.27 Special family pension is granted to the family of serviceman who dies on account of causes which are attributable to or aggravated by military service. This consists of special family pension to widow till death/disqualification, children allowance and children education allowance. Our recommendations in Chapter 7 regarding consolidated rates of special family pension will apply to armed forces personnel also.

13.28 If an officer does not leave behind a widow or children, his parents or minor brothers/sisters largely dependent upon him may be granted a dependent's pension at the following rates :—

- | | |
|---|---|
| (i) Both parents | —75 per cent of the special family pension admissible to the widow. |
| (ii) One parent | —75 per cent of the dependent's pension that would have been admissible in the case of two parents. |
| (iii) Brothers/sisters in the absence of parents. | —Rs. 50/- per month for each, subject to a maximum of 50 per cent of special family pension that would have been admissible to the widow. |

13.29 The dependent's pension is admissible if the parents or brothers and sisters were largely dependent upon the deceased and their pecuniary circumstances justify the grant. The "means limit" for judging the pecuniary circumstances of the parents is Rs. 12000/- per annum for two parents and Rs. 9000/- per annum for one parent.

13.30 Special family pension granted to widow of personnel below officer rank is known as first life award. When it ceases on account of death/disqualification of widow, it is continued to father/mother as second life award, depending upon their pecuniary conditions. The whole or a portion of the special family pension may be continued subject to a maximum of Rs. 50/- per month in the case of junior commissioned officers and Rs. 35/- per month for other ranks.

13.31 We are of the view that the existing rates of dependent's pension for officers and second life award for personnel below officer rank need to be simplified. We accordingly recommend that the dependent's pension and second life award may be granted at 50 per cent of the special family pension admissible to the widow of the deceased if they were largely dependent upon the deceased serviceman for support and are in pecuniary need. With this, the existing conditions regarding "means limit" may be dispensed with.

Liberalised Family Pensionary Award (Battle Casualties)

13.32 The liberalised family pensionary award (battle casualties) is admissible to the family of serviceman who is killed in action or dies of wounds sustained in action or of injuries sustained

during hostilities. For officers, the special family pension (battle casualties) is admissible at 3/4th of the basic pay of the rank held at the time of death for a period of 7 years or till the deemed age of retirement, whichever is later. Thereafter the special family pension is equal to normal retiring pension of the rank last held plus children allowance, subject to the condition that the total of family pension and the children allowance does not exceed 3/4th of the basic pay of the deceased. For personnel below officer rank, special family pension is equal to the last pay drawn.

13.33 The services headquarters have suggested that the special family pension (battle casualty) should be equal to the last pay drawn both for officers and personnel below officer rank and the same should be admissible till death/disqualification of the widow/nominated heir. We agree and recommend accordingly. No children allowance or children education allowance should be paid in addition.

War Injury Pay

13.34 Service personnel invalided out after sustaining injuries during war are entitled to war injury pay which consists of service element and disability element. At present service element is equal to the normal retiring pension. The disability element is calculated by deducting from the emoluments last drawn, the service element and the pension equivalent of DCRG, the disability element being limited to Rs. 500/-. Where the disability is less than 100 per cent, the disability element is proportionately reduced upto 20 per cent disability. The services headquarters have suggested that while the service element may be equal to the minimum retiring pension, the disability element for 100 per cent disablement should be equal to the minimum retiring pension subject to a minimum of Rs. 800/-.

13.35 Ministry of Defence has suggested that the war injury pay should be equal to the emoluments last drawn for life, thereby merging the service and disability elements. We recommend that the war injury pay for 100 per cent disability may be equal to the last pay drawn on the date of invalidment. For lower disabilities upto 20 per cent, war injury pay may be reduced proportionately. Ministry of Defence have stated that with the liberalised rates of war injury pay, there will be no justification for including any amount in lieu of rations. We agree.

Terminal benefits for Short Service Commissioned Officers

13.36 Short service commissioned officers who are not granted regular commission are given terminal gratuity at the rate of Rs. 1200/- for each completed year of service. The services headquarters have suggested that this may be fixed at the rate of two months pay for each completed year of service. Ministry of Defence has recommended terminal gratuity to be equal to one month's pay for each year of service. We agree with the Ministry and recommend accordingly.

13.37 The rank of Field Marshal was granted to General S. H.F.J. Manekshaw, M.C. with effect from January 1, 1973. A special pay of Rs. 400/- per month over and above the pension admissible under the rules was sanctioned to him. Subsequently, the rank of Field Marshal was conferred on General K.M. Cariappa also with effect from January 15, 1986 and he was also given the special pay of Rs. 400/- per month. It has been suggested that the total amount admissible as pension and special pay to Field Marshal should be higher than the pension of the retiring service chiefs. Our recommendations in respect of past pensioners will apply to the pension of the Field Marshals also. Government may decide the amount of special pay to be granted to them from time to time keeping in view all relevant factors.

CHAPTER 14

PROBLEMS OF EX-SERVICEMEN

14.1 In Part-I of our report we have discussed the pay and allowances of armed forces personnel and above made recommendations relating to these. Apart from pay and allowances, retirement benefits are other important aspects for those intending to make service in armed forces a career. We have discussed these elsewhere.

14.2 The age limits for compulsory retirement for armed forces personnel are lower as compared to civilian employees. Apart from affecting career progression, the lower age of retirement also deprives them of actual earnings for the period by which the retirement age falls short of superannuation age of 58 years generally applicable to civilians. Besides they have a liability for recall. We have kept these in view while making our recommendations in regard to their retirement benefits.

14.3 The Third Pay Commission had observed that the pensionary benefits alone should not be looked upon as the only means for compensating service personnel for early retirement and that pension should not be viewed as the sole means of livelihood after retirement. The servicemen retiring around age of 35 to 40 years can reasonably expect to be gainfully occupied and independently earn their living and that it is necessary for the government to take responsibility of assisting retired armed forces personnel in securing re-employment. We fully endorse the above view and consider that there is an obligation cast on government to ensure proper resettlement of ex-servicemen.

14.4 At present the total number of defence pensioners is reported to be about 15 lakh. They constitute the largest single group of retired central government employees. Every year about 60,000 servicemen join the ranks of pensioners.

14.5 Despite the recommendations of the Third Pay Commission, resettlement of ex-servicemen continues to be a major problem as the number of jobs available to meet the ever increasing number of retired armed forces personnel has been found to be inadequate. Therefore, for the first time government considered it necessary to have a comprehensive review of the work done so far in regard to resettlement and welfare of ex-servicemen and appointed a Committee in March, 1984 under the Chairmanship of the then Minister of State in the Ministry of Defence. The report of the high level Committee was submitted to government in October, 1984. We have been informed that the Committee had given 68 recommendations, out of which 46 recommendations have already been fully accepted by the government and others are at different stages of consideration. A list showing the position in respect of the various recommendations as on August, 8, 1986 is given at Annexe 14.1.

14.6 The following three recommendations made by the Committee regarding the pension structure were referred by government to us,—

- (i) *Recommendation No. 15.37* : Rank-for-rank pension and grant of increased pension whenever pensions are revised.
- (ii) *Recommendation No. 15.38* : Appointing a permanent standing committee for inter-relating the cost of living index to pension.
- (iii) *Recommendation No. 15.39* : Restoration of commuted value of pension.

14.7. To facilitate re-employment of the retired servicemen, reservation of vacancies have been made by government and public sector undertakings/banks as indicated below,—

Type of posts	Reservation made by central government.	Reservation made by public sector undertakings.
(a) Group 'C'	10 per cent	14-1/2 per cent
(b) Group 'D'	20 per cent	24-1/2 per cent
(c) Group 'A' and 'B'	10 per cent of the posts at the level of Asstt. Commandant in para-military forces.	

A large number of State governments and Union Territories have also reserved vacancies for retired servicemen for employment under them. In addition to the general reservation of vacancies for re-employment of retired servicemen, certain reservations have been made in specified cadres, e.g. 60 per cent of posts in the armed constabulary have been reserved for retired servicemen by government of Rajasthan and 10 per cent of the posts of forest guards and 5 per cent of the posts of forest watchers have been reserved for the retired servicemen by government of Tamil Nadu. Details are given in Annexe 14.2.

14.8 No systematic data is available regarding the total number of retired servicemen who have secured employment in civil jobs. According to the Committee, against approximately 60,000 service personnel retiring every year, only about 15,000 servicemen were able to find placement in the the central/state governments, public sector undertakings and local bodies. The vacancies reserved for the retired servicemen are not fully utilised and according to the report of the Committee, the utilization of the reserved vacancies varies between 31-77 per cent depending upon the establishment. Three lakh retired servicemen are stated to be on the live roster for employment. The Committee had also noted that reserved vacancies were not fully utilised and had recommended enactment of a legislation of ensure their utilisation. They had also suggested establishment of an organisation on the lines of the Scheduled Caste and Scheduled Tribes Commission for effectively monitoring the placement of retired servicemen.

14.9 Apart from reserving vacancies for employment of retired servicemen, government have given certain relaxations in educational qualifications for their employment in civil posts. For example, for recruitment to the clerical cadre in banks where the qualifications required for direct recruitment is matriculation with first division, for retired servicemen this condition has been relaxed to matriculates with second division. Similar relaxation in educational qualifications exists for recruitment to other groups 'C' and 'D' posts. Details are given in Annexe 14.3.

14.10 To facilitate placement of servicemen in civil jobs after retirement, various trades in three services in which the personnel below officer rank are trained, have been given suitable equivalence to trades on the civil side so that employing agencies have no problem in fitting the retired servicemen in suitable jobs. The Directorate General of Employment and Training under the Ministry of Labour issues orders in this regard from time to time. Some of the State governments have also issued orders establishing equivalence between the trades in armed forces and trades in civil employment. We suggest that as far as possible the various trades in the three services may be included in the list on a continuing basis so that any serviceman on retirement has no difficulty in getting absorbed in trade similar to one from which he retired.

14.11 Government has also considered it necessary to make certain relaxation in age limits prescribed for recruitment to civil posts to enable their absorption. For appointment to reserved as well as unreserved vacancies in groups 'C' and 'D' the upper age limit prescribed for recruitment

is relaxed by the length of military service with the addition of three years. Similar relaxation is available for appointment to groups 'A' and 'B' posts filled by direct recruitment, except those through competitive examinations conducted by Union Public Service Commission. For these examinations, retired servicemen who have rendered at least 5 years of military service are allowed a maximum relaxation of 5 years in upper age limit. Similar concessions are also available for recruitment in public sector enterprises/banks.

14.12 Government has extended special priorities to retired servicemen for employment. Government has also exempted them from payment of application/examination fee for recruitment to groups 'C' and 'D' posts.

14.13 Where a member of the armed forces dies in harness or is medically boarded out and is unfit for civil employment, his dependent can be considered for appointment to groups 'C' or 'D' posts on compassionate grounds. For this purpose the procedure of selection through employment exchange/staff selection commission is relaxed.

14.14 Government also arranges training programmes for service personnel to enhance their suitability for placement in civil jobs after retirement. Facilities are provided for post-graduate diploma in business management, training in Industrial Training Institutes, training in television technology, refrigeration and air-conditioning, soap manufacturing, horticulture, cattle rearing, dairying, etc. Government also provides coaching to prepare the retiring servicemen for competitive examinations held for recruitment to civil posts. During 1984-85 about 7000 personnel were trained in various disciplines.

14.15 While there are difficulties in automatic placement of retired servicemen in civil employment to enable them to serve upto 58 years of age, we suggest that greater effort should be made by government to enable the retiring servicemen to have a smooth changeover from the military to civil career after retirement. As the placement of the retiring servicemen in civil employment is not adequate, it is necessary to have an effective machinery to help retiring servicemen in getting placement in civil jobs and also to monitor the implementation of the various schemes of government in this regard.

14.16 Government is also making efforts to assist retired servicemen for self-employment. Necessary consultancy services are being provided to them for setting up small-scale industries along with other facilities like special reservations for allotment of industrial plots/sheds under the state governments, loan and interest subsidy from banks and financial institutions and allotment of surplus army vehicles. All these steps taken by government are intended to help servicemen to engage themselves in self-employment after retirement.

14.17 The Ministry of Defence is the administrative and controlling ministry for resettlement of retired servicemen. There is a Kendriya Sainik Board under the Chairmanship of Defence Minister which is responsible for laying down policy guidelines and schemes for the welfare and resettlement of ex-servicemen. Under the State governments there are Rajya Sainik Boards for each state, with Zila Sainik Boards for the districts. There is also a Directorate General of Resettlement (DGR) under the Ministry of Defence which is responsible for arranging re-employment of retired servicemen and also for providing necessary training and assistance for self-employment. The high level Committee had recommended reorganisation and strengthening of the set up of DGR. We agree that DGR needs to be suitably re-organised to enable it to discharge effectively the functions of providing assistance for re-employment, training, self-employment, etc. Having regard to the complexity of problems and growing numbers of ex-servicemen and the need to interact effectively with Chief Secretaries of State governments/Union Territories and Chief Executives of public sector undertakings, we suggest that the post of Director General Resettlement may be upgraded to that of a Lt. General. The officer selected should not only have the abilities and aptitude for this work but also have a reasonably long tenure to discharge the responsibilities of the post.

(See paragraph 14.5)

**RECOMMENDATIONS OF THE HIGH LEVEL COMMITTEE ON PROBLEMS
OF EX-SERVICEMEN**

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED/PARTLY ACCEPTED
OR ARE LIKELY TO BE ACCEPTED OR ARE OF CONSEQUENTIAL NATURE OR ARE
UNDER CONSIDERATION—POSITION AS ON 8-8-1986.

Sl. No.	Recommendation No.	Accepted subject
1.	15.2	Definition of an Ex-servicemen.
2.	15.6	Special ex-servicemen placement drives.
3.	15.7	Lateral induction into suitable Group 'A and 'B' posts.
4.	15.8	Improvements in the Discharge Certificate.
5.	15.9	Sponsoring of ex-servicemen for reserved as well as unreserved vacancies by Employment Exchanges and for reserved vacancies by Rajya/Zila Sainik Boards.
6.	15.10	Dereservation of reserved posts for ex-servicemen strictly in accordance with existing rules. 30 clear days for confirming non-availability. Carry forward of reserved vacancies for at least one year.
7.	15.11	Modification and amendments to Recruitment Rules.
8.	15.12	Revitalisation of Rajya and Zila Sainik Boards.
9.	15.13	Absorption of released Short Service Commissioned Officers.
10.	15.14	Avenues and opportunities for ex-servicemen in new areas for National Building tasks.
11.	15.18	Dismantling of concessions after acceptance of assured employment upto the age of 58 years.
12.	15.24	Suitable enhancement in the existing exemptable limit of pension (Rs. 250/-) on re-employment of officer pensioners in Government jobs.
13.	15.26	Enlarged Training opportunities for personnel during the last 18 months of service.
14.	15.27	Formal facilities for resettlement training of Officers.
15.	15.28	Meaningful training programme for retirees by the Services.
16.	15.29	Equation of military qualifications, trades and professional experience with civil equivalents.

Sl. No.	Recommendation No.	Subject
17.	15.32	Statutory reservation at the Central and State Government levels to help ex-servicemen in self-employment schemes.
18.	15.33	Services to encourage ex-servicemen to undertake small self-employment projects.
19.	15.34	Central/State Governments to accord preferential treatment to ex-servicemen in self employment.
20.	15.35	Ancillary units by ex-servicemen for manufacture and supply of items to Defence industries.
21.	15.36	An amendment to the terms of reference of the Fourth Pay Commission for examining the pension policy of past pensioners.
22.	15.40	Re-arranging work of sanctioning of pension of service personnel.
23.	15.41	Simplifying the procedure for sanction and disbursement of pensions.
24.	15.42	Improvement of existing facilities in CDA (P), Allahabad.
25.	15.43	Grant of family pension to widows of pre 1-1-1964 pensioners.
26.	15.46	Code of Conduct.
27.	15.47	Chief Ministers, other Ministers and senior serving military officers should meet ex-servicemen during their tours.
28.	15.48	Revival of practice of Sainik Sammelans for ex-servicemen by the Chief Ministers and Collectors.
29.	15.49	Timely assistance and dignified treatment by the State Governments and District Administration.
30.	15.50	Service personnel should keep in touch with ex-servicemen.
31.	15.51	Service Headquarters should organise pre-retirement orientation courses.
32.	15.52	IAS trainees at LBS Academy to be given lectures on their responsibilities towards ex-servicemen.
33.	15.53	Ex-servicemen should themselves display a high sense of discipline and conduct.
34.	15.54	Amendments to Land Reforms Act and Rules to protect land holding of Defence personnel and reservations in assignment of surplus land.
35.	15.55	Housing Boards under State Governments and UTs to reserve a minimum of 10 % of the house sites/houses for the ex-servicemen.
36.	15.57	Children of retiring Defence personnel studying in Central Schools be given automatic admission in Central Schools at or near the place where the parents settle down on retirement.
37.	15.59	Existing facilities in military hospitals be enhanced for ex-servicemen.
38.	15.60	States/UTs to extend free medical treatment to ex-servicemen.
39.	15.61	Extension of canteen facilities in districts with larger number of ex-servicemen.

Sl. No.	Recommendation No.	Subject
40.	15.62	Re-organising and strengthening of Directorate General Resettlement.
41.	15.63	Re-structuring of Directorate General Resettlement.
42.	15.64	Revitalisation of Sainik Board Organisation.
43.	15.65	Strengthening of Zonal Resettlement Directorates and provision of staff at Static Headquarters.
44.	15.66	Maintaining a data bank of retiring personnel in suitable EDP system.
45.	15.67	Major publicity drive using all media.
46.	15.68	New publications/handouts for ex-servicemen.
II.		PARTLY ACCEPTED
1.	15.56	Rent Control Legislation should provide for retiring Defence personnel to get back their Houses for self-occupation on a time bound basis and under summary procedures. Financial assistance to ex-servicemen for house construction; loans on concessional rates.
2.	15.58	State Governments should provide reservation facilities and concessions to the wards of ex-servicemen for admission to professional institutions.
III		LIKELY TO BE ACCEPTED
1.	15.1	Ex-servicemen as a separate category in the 1991 Census.
IV		RECOMMENDATIONS OF CONSEQUENTIAL NATURE
1.	15.16	Maintenance of detailed data to match requirement of jobs in civilian departments.
2.	15.17	Modalities for assured employment upto 58 years of age.
V(a)		RECOMMENDATIONS NOT ACCEPTED
1.	15.3	Enactment of a comprehensive National Ex-servicemen Resettlement Act and a Draft Model Act for States.
2.	15.5	Establishment of an ex-servicemen Resettlement Commission (or Commissioner).
V(b)		RECOMMENDATIONS NOT ACCEPTED BUT WILL OTHERWISE BE TAKEN CARE OF THROUGH OTHER SCHEMES
1.	15.30	Establishment of a National Ex-serviemen Financial Corporation at the Centre.
2.	15.31	The proposed corporation could render all assistance including training to ex-servicemen for starting self-employment ventures.
3.	15.44	Proposal for a plan outlay of Rs. 170 crores at the Central and Rs. 180 crores at the States Government levels.

Sl. No.	Recommendation No.	Subject
4.	15.45	Allocation of funds vide 15.44 to be spread over a period of five years of the Seventh Five Year Plan. (These recommendations relating to Special plan provision for Ex-servicemen not been accepted in the form recommended by H.L.C., but efforts will continue to secure for Ex-servicemen their due share of benefits under the ongoing programmes of the 7th Five Year Plan).
VI (A) RECOMMENDATIONS UNDER CONSIDERATION DECISION ON WHICH WILL BE TAKEN AFTER RECEIPT OF THE REPORT OF THE FOURTH PAY COMMISSION		
1.	15.37	Rank for rank pension and grant of increased pension to old pensioners whenever pensions are revised.
2.	15.38	Appointing a permanent standing committee for inter-relating the cost of living index to the pension.
3.	15.39	Restoration of commuted value of pension.
VI(B) RECOMMENDATIONS UNDER CONSIDERATION RELATING TO ASSURED EMPLOYMENT, DECISION ON WHICH IS LIKELY TO TAKE SOME TIME		
1.	15.15	Assured employment upto the age of 58 years.
VI(C) RECOMMENDATIONS WHICH ARE UNDER ACTIVE CONSIDERATION		
1.	15.4	Constituting a Parliamentary Committee consisting of Members from both the Houses.
2.	15.19	Simplification and uniform application of orders governing initial fixation of pay and other benefits on re-employment of ex-servicemen.
3.	15.20	Non-pensioner Ex-servicemen be permitted to count full military service upto 5 years and 50% beyond 5 years for increments in pay on re-employment but not for seniority.
4.	15.21	Seniority and pay fixation of Emergency Commissioned and Short Service Commissioned Officers who joined pre-commission training or who were commissioned after 1st November, 1962 but before 10 January, 1968.
5.	15.22	Short Service Commissioned Officers, Commissioned on or after 10th January, 1968 be permitted to count their full military service upto 5 years and 50% beyond 5 years for purpose of fixation of pay on re-employment but not for seniority.
6.	15.23	Ex-servicemen on re-employment be permitted to count their total military service for grant of various types of loans and advances as also for allotment of family accommodation.
7.	15.25	Protection of previous basic pay and grant of one increment in the higher pay scale to re-employed ex-servicemen on promotion to a higher post or grade.

Source : Ministry of Defence.

(See paragraph 14.7)

DETAILS REGARDING RESERVED VACANCIES FOR EX-SERVICEMEN

State/Union Territory	Percentage of vacancies				Remarks
	Class III	Class IV	Class I	Class II	
1. Andhra Pradesh	2	2	—	—	
2. Assam	2	2	—	—	
3. Bihar	—	—	—	—	
4. Gujarat	10	20	—	—	
5. Haryana	17	17	5	5	
6. Himachal Pradesh	15	15	15	15	
7. Jammu & Kashmir	5	10	—	—	
8. Karnataka	10	10	10	10	
9. Kerala	—	—	—	—	
10. Madhya Pradesh	9	14	—	50*	
11. Maharashtra	15	15	—	—	
12. Manipur	3	5	—	—	2% posts of Assistant Commandants.
13. Meghalaya	—	—	—	—	
14. Nagaland	—	—	—	—	
15. Punjab	15	15	15	15	
16. Orissa	7	—	—	—	
17. Rajasthan	12-1/2	15	—	—	60% posts in Armed constabulary also reserved.
18. Sikkim	15	15	—	—	
19. Tamil Nadu	—	10	—	—	10% Forest Guard & 5% Watcher.
20. Tripura	2	2	—	—	
21. Uttar Pradesh	3	3	8	@8	
22. West Bengal	5	10	—	—	
23. Arunachal Pradesh	10	20	—	—	

Notes : *For Doctors and Lectures in Medical and Education Departments for ECOS/SSCOs only direct appointment
 @For ECOs and disabled officers only.

Sl. No.	Recommendation No.			Subject	
24.	Andaman & Nicobar Islands	10	20	—	—
25.	Chandigarh	10	20	—	—
26.	Goa, Daman & Diu	10	20	—	—
27.	Delhi	10	20	—	—
28.	Mizoram	10	20	—	—
29.	Pondicherry	10	20	—	—
30.	Lakshadweep	10	20	—	—
31.	Dadra and Nagar Haveli	10	20	—	—

Source : Ministry of Defence.

**DETAILS OF RELAXATION IN EDUCATIONAL QUALIFICATIONS GIVEN TO
EX-SERVICEMEN FOR EMPLOYMENT IN CIVIL POSTS**

Type of post	Whether reserved or unreserved or filled by direct recruitment	Prescribed educational qualifications	Relaxation admissible
(a) Any post by direct recruitment		B.A.	Relaxation in case of commissioned officer who passed out of IMA/NDA before JNU accorded recognition to NDA Courses as equivalent to Degree and who have 5 years of satisfactory military service.
(b) Group Reserved 'D'			Exempted in respect of ex-servicemen with three years of satisfactory military service.
(c) Group Reserved 'C'.			Relaxable at the discretion of appointing authority in respect of ex-servicemen with three years military service.
(d) Group 'C'	Partly filled by recruitment and partly by promotion or transfer.		An ex-servicemen shall be deemed to satisfy the prescribed educational technical qualifications provided he :— (a) satisfies the educational/technical qualifications prescribed for direct recruitment to the post from which promotion or transfer to the post in question is allowed; (b) has identical experience of work in a similar discipline and for the same number of years in the Armed Forces as prescribed for promotees or transferees.
(e) Clerical Cadre in public sector banks	Reserved	Matric I Div. Higher Secondary II Division.	Matric II Division Higher Secondary III Division.

Source : Ministry of Defence.

CHAPTER 15

MEDICAL AND OTHER FACILITIES

15.1 Medical facilities are provided to central government civilian employees and their families under the following schemes,—

- (i) Central Government Health Scheme (CGHS)
- (ii) Medical Reimbursement Scheme (MRS) under the Central Services (Medical Attendance) Rules, 1944.
- (iii) Railway Medical Scheme (RMS).

We have referred to this in Chapter 16 of Part I of our report. There are separate arrangements for provision of medical facilities to armed forces personnel and their families.

15.2 The need for medical attention increases with advancement of age. We have received a number of suggestions from pensioners and their associations for extension and improvement of medical facilities to them.

15.3 Employees who are covered under CGHS continue to get medical attention even after their superannuation/retirement on payment of prescribed contribution. The facilities under this scheme include outdoor as well as indoor treatment and are extended to dependent family members of the pensioner.

15.4 It has been suggested that these facilities may be further extended and liberalised to cover pensioners living in different parts of the country. Suggestions have also been made for provision of these facilities free of charge, re-imbursment of medical expenses incurred if the pensioner is not staying within a reasonable distance from the dispensary and a fixed medical allowance. It has also been pointed out that employees working in the central government and union territories who were not covered by CGHS while in service are not eligible for these facilities after their retirement even though they may settle down in a place where CGHS facilities are available.

15.5 We understand that the government is considering the improvement and expansion of CGHS for pensioners. Government have extended CGHS facilities to even those other than its employees at certain nominated dispensaries on payment of contributions. We recommend that CGHS facilities may be extended to all retired civilian government employees including those of union territories even if they were not covered by it while in service. This may be done wherever such facilities are provided.

15.6 The Health Insurance Scheme started by General Insurance Corporation in 1984-85 has recently been revised to make it more attractive. However, under the scheme there is no provision for domiciliary treatment. In our view medical facility including domiciliary treatment is a basic requirement and should be made available to all pensioners and not confined only to a few major cities. We suggest that government may examine the modality of introducing a special comprehensive medicare scheme for pensioners. The scheme should be simple and easy to administer and provide facilities similar to those available under CGHS. The question of making one time payment for the medicare scheme by the pensioners and/or by government may be examined while formulating the scheme.

15.7 Under the Retired Railway Employees Contributory Health Scheme (RRECHS) the medical facilities are at present restricted to the employee and the spouse only on payment of prescribed contribution. It has been urged that retired railway employees should be eligible for free medical attention on a scale similar to the one applicable to the serving employees. Requests have also been made to the effect that if hospital facilities are not available within reasonable distance the retirees should be re-imbursed medical expenses incurred by them. Department of Railways may examine the improvements that will be necessary in extending further facilities of medicare to retired railway employees.

15.8 Defence pensioners and their families and the families of deceased service personnel drawing pension of some kind are entitled to free out-patient treatment in the nearest armed forces hospital including supply of medicines necessary for their treatment. These personnel are also eligible for in-patient treatment in such armed forces hospital subject to certain conditions. This does not include treatment for diseases for which facilities are not ordinarily available from local military sources. It was decided in 1981 that domiciliary treatment of defence pensioners and their families for chronic diseases like pulmonary tuberculosis and leprosy may be provided in armed forces hospitals at certain selected stations. It has been suggested that government should ensure continued provision of complete medical facilities to defence pensioners, their immediate dependents and widows in receipt of any kind of pension. It has been further suggested that in-patient treatment should not be restricted only to the facilities available at the local armed forces hospitals but transfer to other hospitals for specialised treatment should be allowed. At present, out of overall sanctioned beds in the armed forces hospitals a maximum of 500 beds will be used for the in-patient treatment of the defence pensioners in peace time. The requirement of serving personnel have to be kept in view while extending medical facilities to defence pensioners in armed forces hospitals. Government may therefore review the position from time to time and extend such additional facilities to defence pensioners as may be feasible taking into account all relevant factors. Recently, government of Karnataka have extended facilities in regard to in-patient treatment of defence pensioners. Similar facilities, if extended by other State governments, will go a long way in catering to the needs of defence pensioners.

15.9 A number of suggestions have been received from the pensioners and their associations requesting various facilities for pensioners on par with serving government employees. There is also a suggestion for creation of a welfare fund for pensioners. While it may not be feasible to extend to pensioners all the facilities that are available to serving government employees, we suggest that employees should be given appropriate guidance to plan for retirement at an early stage of their career. We have suggested the appointment of personnel officers in Part I of our report and we think that they can play a very important role in helping the employees to plan for a satisfactory retired life. We have also recommended improved pay scales in Part I of our report which will improve the pension and other retirement benefits and thus enable the retiring government employees to lead a decent retired life. We would also suggest that government may examine the possibility of providing facilities of reading-room, library, recreation, etc. in major metropolitan centres having substantial number of pensioners preferably in the same complex where a CGHS dispensary is located so as to serve the social needs of the pensioners. Such a place will also provide opportunity for exchange of information.

15.10 There are many government and quasi-government agencies engaged in house building with substantial financial assistance from government and/or public financial institutions. We recommend that for such agencies it should be stipulated that a certain percentage of houses constructed by them may be reserved for allotment to retired central government employees. Efforts may also be made to provide in these localities community facilities like library, common room, dispensary and bus terminal.

CHAPTER 16

OTHER MATTERS

16.1 In this Chapter we propose to discuss certain other matters concerning pensioners which have been raised for our consideration. These are,—

- (i) re-employment of pensioners;
- (ii) government employees absorbed in public sector undertakings; and
- (iii) forum for pensioners.

(I) *Re-employment of Pensioners*

16.2 The general guidelines to be followed in cases where in the exigencies of public service and in the interest of administration it becomes necessary for the government to continue in service certain employees even after superannuation have recently been modified and government have consolidated the same under Central Civil Services (Fixation of Pay of Re-employed Pensioners) Orders, 1986.* The pensioners have been broadly classified into two categories for the purpose of fixation of pay on re-employment, namely—

(i) employees in B, C and D categories who retired before attaining the age of 55 years, and (ii) other retired employees. For employees in category (i) the pay on re-employment is fixed at the minimum of the scale of pay of the post ignoring the pension and/or pension equivalent of retirement benefits to which they are eligible. In other cases pay on re-employment is fixed under the relevant orders and from this pay, pension and pension equivalent of retirement benefits are deducted. However, in the case of pensioners who have retired from group 'A' posts before attaining the age of 55 years, the first Rs. 500 of pension and pension equivalent of retirement benefits is not adjusted. In such cases, pension and pension equivalent of retirement benefits are not allowed to exceed Rs. 3500 per month.

16.3 Government have considered it necessary to place certain restrictions on acceptance of commercial employment by retired employees within two years after retirement. This is being regulated under the provisions of rule 10 of Central Civil Services (Pension) Rules and the All India Services (Death-cum-retirement) Rules 1958 in respect of officers belonging to All India services. These restrictions apply to group A officers. No such restrictions have been placed on employees of groups B, C and D with a few exceptions.

16.4 Suggestions have been made for liberalising the existing rules for grant of permission to those seeking commercial employment after retirement. It has also been urged that instead of requiring all group A officers to obtain prior permission, it would be adequate if certain specific sensitive posts in ministries/departments are identified for such purpose. In other cases it should be sufficient for the employee to intimate details of his commercial employment to the ministry/department concerned with a declaration to the effect that he has had no previous official contact with the organisation with which he proposes to take up employment. Violation of this could be dealt with under the pension rules for withholding/curtailing of pension. We suggest that government may review the existing rules and procedures so as to enable the concerned Ministries to deal with these cases as well as identify specific posts for which such prior permission should be necessary.

* Vide Government of India, Department of Personnel and Training O.M. No. 2/1/85-Estt. (P11), dated July 31, 1986.

16.5 As regards fixation of pay on re-employment it has been suggested that since gratuity and pension are received for services rendered in the past by the employee, these should not be deducted while fixing pay on re-employment. Suggestion has also been made that the existing methods of determining pension equivalent of gratuity for the purpose of fixation of pay on re-employment needs to be reviewed.

16.6 The procedure adopted for calculation of pension equivalent of gratuity had come in for review in a case* decided by Supreme Court. As the retirement benefits of the employees will improve with the revised scales of pay, we suggest that government may review the entire question of fixation of pay on re-employment, including the amount of pensionary benefits which should be ignored on such re-employment and issue revised guidelines.

(II) *Government employees absorbed in Public Sector Undertakings*

16.7 Under the existing rules, a central government employee absorbed in public sector undertaking wholly or substantially owned or controlled by government is deemed to have retired from government service and becomes eligible for retirement benefits. For this purpose, the employee is given option to choose between retirement benefits, including the facility of commutation of 1/3 of his pension or to receive commuted value of one-third of his pension and terminal benefits equal to the commuted value of the balance amount of pension. In the case of a central government employee who gets absorbed in the public sector undertaking and elects to commute only 1/3rd of his pension, dearness relief as admissible on full pension is available to him after he finally retires from the public sector undertaking. During the period of his employment in the organisation, the payment of dearness relief is suspended. However, as he continues to be a government pensioner, he gets the benefits of liberalisations in relief and pension from time to time. In the case of a government employee who has opted for a lump sum payment in the form of "terminal benefits" no dearness relief is allowed even after he retires from the public sector undertaking.

16.8 We have received suggestions for grant of dearness relief to those employees who have availed of "terminal benefits" after they have retired from the public sector undertaking. They have also requested for extending the benefit of family pension to them as available to central government employees.

16.9 At present, wherever the public sector undertaking has a separate family pension scheme formulated for its employees, the central government employees absorbed in such public sector undertakings are governed by those provisions and not by the family pension scheme applicable to government employees. In case the public sector undertaking has no separate family pension scheme or the employee is not eligible to join such a scheme, he continues to be governed by the family pension scheme applicable to government employees.

16.10 We have carefully considered the suggestions. We note that these government employees absorbed in public sector undertakings are deemed to have retired from government service from the date of their absorption. Since they have received lump sum amount in lieu of full pension, they cease to be government pensioners. Persons who are not actually in receipt of any pension cannot be treated as pensioners and considered for relief on pension. We however understand that there are only a limited number of such employees. As recommended for CPF retirees in Chapter 9, government may consider the feasibility of giving an option to these employees to come over to the pension scheme subject to their refunding the entire amount of terminal benefits received by them at the time of absorption. We do not suggest any change in the existing rules governing grant of family pension to government employees getting absorbed in public sector undertakings.

* AIR 1986, SC 240 Shiveshwar Prasad Sinha Vs. Union of India and Others.

(III) *Forum for Pensioners*

16.11 It has been suggested that the interests of pensioners should be looked after by a body similar to those under Joint Consultative Machinery (JCM/Permanent Negotiating Machinery (PNM) schemes. Recently, this aspect has received attention of the government and the Department of Pension and Pensioners' Welfare has constituted a Standing Committee of Voluntary Agencies (SCOVA) under the department with the following objectives,—

- (i) To provide a feedback on programme implementation of the department;
- (ii) to discuss and critically examine new policy initiatives; and
- (iii) to mobilise voluntary effort to supplement the government action.

A copy of the Resolution issued by the government in this regard is at Annexe 16.1.

16.12 In our view pensioners represent manpower rich in experience and talent which should be properly used in the nation building activities. Constitution of SCOVA therefore assumes significance. We would, however, suggest that government may examine broad-basing the objectives (ii) and (iii) referred to above so as to highlight the various problems of pensioners, like medical and housing needs, their utilisation in social welfare schemes like adult education, rural development, urban improvement, etc. While doing so, Secretaries of the concerned ministries/departments, representatives of some of the State governments by rotation may also be included in the Committee. The Committee should be presided over either by the Cabinet Secretary or Secretary, Department of Pension and Pensioners' Welfare. This will serve as a forum to deal with all the problems of pensioners.

ANNEXURE 16.1

(See Paragraph 16.11)

(TO BE PUBLISHED IN THE GAZETTE OF INDIA PART I SECTION 3)

GOVERNMENT OF INDIA

Ministry of Personnel, Public Grievances & Pensions

(Department of Pension & Pensioners' Welfare)

RESOLUTION

New Delhi, the 31st July 1986

No. 41/24/86-P&PW. The President has been pleased to decide that a Standing Committee of Voluntary Agencies for the Department of Pension & Pensioners' Welfare should be constituted with immediate effect.

1. The composition of this Committee will be as under :—

1. Dr. Bool Chand,
President,
Bharat Pensioners Samaj,
New Delhi.
2. Shri Ripudaman Singh,
Senior Vice President,
Bharat Pensioners Samaj,
New Delhi.
3. Shri S.S. Ramachandran,
Secretary General,
All India Central Council of Pensioners' Associations,
New Delhi.
4. Shri B.G. Vaze,
General Secretary,
All India P&T & Other Central
Government Pensioners' Association,
(Main Centre),
Pune.
5. Shri M.S. Hinge,
General Secretary,
All India Retired Railwaymen's,
Federation,
Bhusaval.

6. Brig. Ram Singh (Retd.),
President,
Indian Ex-Services League,
New Delhi.
7. Col. B.S. Panwar (Retd.),
Senior Vice President,
Indian Ex-Services League,
New Delhi.
8. Maj Gen. Budh Singh MC (Regt.),
President,
Haryana State Ex-Services League.
9. Air Comdre M.S. Dandeker (Retd.),
President,
Maharashtra State Ex-Service League.
10. Brig. Nandagopal (Retd.),
President,
Tamil Nadu State Ex-Services League.
11. Brig. B.R. Upadhyay PVSM (Retd.),
President,
Bihar State Ex-Services League.

The Additional Secretary in the Department of Pension and Pensioners' Welfare will function as the Convenor and Member Secretary of this Committee. The Government will have the power to associate such official members as may be considered necessary from time to time with the work of this Committee.

2. The term of office of the non-official member will be for a period of one year.
3. The Committee shall function to promote the following objectives:
 - (i) To provide a feedback on programme implementation of the Department.
 - (ii) To discuss and critically examine new policy initiatives.
 - (iii) To mobilise voluntary effort to supplement the Government action.
4. The Committee will hold its meetings as often as may be necessary.
5. TA and DA to non-official members for attending the meetings of the Committee shall be regulated in accordance with the provisions of S.R. 190 and orders of the Government of India thereunder as issued from time to time.
6. The expenditure involved will be met from within the sanctioned budget grant under the Major Head of Account 252, A-Secretariat General Services, A-I-Secretariat, A-I(I)-Department of Personnel & Training, A-I(I)(3)-Travel Expenses under Grant No. 75-Ministry of Personnel, Public Grievances and Pensions for the year 1986-87.

Sd/-

(I. K. Rasgotra)

Additional Secretary to the Government of India

CHAPTER 17

DATE OF EFFECT AND FINANCIAL IMPLICATIONS OF RECOMMENDATIONS

(I) *Date of Effect*

17.1 In Part I of our report we had suggested that the benefit of the scales of pay recommended by us may be given from the beginning of the current financial year. This recommendation was modified by the government and the revised scales of pay for groups 'B', 'C' and 'D' employees have been given from January 1, 1986. The matter regarding group 'A' employees is still under consideration.

17.2 The pay structure proposed by us is based on index average 608. We therefore recommend that death-cum-retirement benefits for central government employees including employees of union territories, personnel belonging to all India services and armed forces personnel and the rationalised pension structure for pensioners proposed by us may be made applicable with effect from January 1, 1986.

17.3 In the case of employees retiring during the period January 1, 1986 to September 30, 1986, government may consider treating the entire dearness allowance drawn by them up to December 31, 1985 as pay for pensionary benefits.

17.4 We have suggested improvements in death-cum-retirement benefits and rationalisation of pension structure. If in the implementation of our recommendations there are any hard cases requiring special consideration, they may be dealt with on merits by the government.

17.5 The improvements in some of the existing pensionary benefits have been suggested to be extended to past pensioners also. Any other benefits requiring similar consideration may be decided by government taking into account all relevant factors.

(II) *Financial Implications*

17.6 We had indicated in Part I of our report that the estimated additional cost in respect of the pension structure for pensioners—both past and future—and the death-cum-retirement benefits will be covered in Part II dealing with these matters. We have tried to estimate the additional cost involved in our recommendations on pensionary matters. It is difficult to indicate the additional cost in respect of improvements in the rates of family pension, extraordinary pension, terminal benefits to temporary employees, etc. as some of these pensions are admissible under special circumstances only and the required information is also not available under the existing system. We have, therefore, attempted to indicate the additional cost in respect of some of the major items where some information is available. In estimating the additional cost, we have taken into account the revised scales of pay recommended in Part I of our report and the decisions taken by government thereon. The immediate

additional expenditure on our recommendations relating to retirement benefits on this basis is indicated below:—

Item	Estimated expenditure per annum (Rupees in crore)		
	Civilian employees including U.T.	Armed Forces personnel	Total
1. Retiring pension and gratuity	10	15	25
2. Ex-gratia payment to retirees under contributory provident fund scheme.	27	..	27
3. Rationalisation of pension structure			
(i) for pensioners	73	114	187
(ii) for family pensioners	21	14	35
4. Improvement in the disability element and constant attendant allowance..	24	24
TOTAL	131	167	298

Say Rs. 300 crore

17.7 It may be seen that of the estimated annual expenditure, improvements in retirement benefits for future pensioners will cost about Rs. 25 crore. The remaining expenditure representing more than 90 per cent is in respect of rationalisation of the existing pension structure and much needed relief for past pensioners and retirees. We have discussed in detail the economic background in Part I of our report. The estimate additional expenditure of Rs. 300 crore per annum is justified for meeting the genuine needs of pensioners.

CHAPTER 18

SUMMARY OF MAIN RECOMMENDATIONS AND CONCLUSIONS

1. Pensions to former members of the armed forces and civilian employees of central government is not by way of charity or an ex-gratia payment, or a purely social welfare measure. It is in the nature of a "right" which is enforceable by law. (2.3)
2. The existing Act, the rules and regulations do not contain a definition of the term pension which explains its meaning, concept or content. (2.11)
3. The concept of 'pension' always had the latent desire to provide for the eventuality of old age and disability by disease or accident or death. Its real purpose was security. (2.13)
4. The basic idea earlier was to give a sense of economic security and independence to a civil servant so as to make his functioning more efficient. The meaning changed over the years and became more and more generous. (2.15)
5. A pension is a series of periodic payments to a person usually payable monthly, for life, for past services of himself or another. (2.16)
6. The concept of "pension" carries within it the germ of certainty, periodicity and "adequacy". (2.17)
7. While the capacity or financial resources of the employer is a factor to determine adequacy, we should continue the efforts to provide adequate pensions to government employees. (2.17)
8. Aim should be to provide that even in retirement, if the employee has been careful and prudent, he may maintain his residuary family in a way and at a standard considered reasonable by the society where he belongs, making cost of living adjustments as and when necessary. (2.17)
9. Aim of pension is to provide economic security in the fall of life. Since prices undergo change, it should also be the aim to maintain the level of pension. (2.21)
10. There should also be a fair and just system of pension adjustments to provide for unforeseen socio-economic changes. (2.23).
11. 'Content' of pension is variable according to the conditions of the service, the reasonable expectations arising out of it and the resources of the employer. The content of social security 'pension' is ever widening. (2.27)
12. Broadly speaking, there are two methods to meet the financial commitment for pensions: the current disbursement approach, and the 'funded' plan approach. In most developed countries, the funded plans are contributory. (2.28)
13. We subscribe to the objectives stated in general terms, that a retirement plan should provide an orderly means of retirement for older employees. (2.30)
14. The age of the employee, state of health, length of service and his pay are some of the factors to be taken into consideration in determining pension. (2.32), (2.33), (2.34) and (2.35)

15. Economy of the state is another factor which bears on determination of pensions and connected with this is the other factor whether the employee is entitled to any other social benefit in addition to pension. (2.36)
16. Existence of separate schemes of pensions like contributory scheme, may be a relevant factor in determining what will be a proper or a suitable scheme of pensions. (2.38)
17. Any benefit, like concessional medical treatment, that may be available in addition to retirement is also of relevance to take into consideration. (2.39)
18. Benefits of a pension for widows, or for the family, is an attractive benefit by itself and deserves to be taken into consideration. (2.40)
19. Traditionally, pensions were unalterable, but that was because the value of money was stable. Now, there is no escape from the concept of adjustment in view of the persistent rise in the cost of living. A person may be willing to accept a somewhat lower rate of pension calculation if he is assured that its value will not decline appreciably. (2.41)
20. It has been declared as the law of the land in Nakara's case that pensioners form a class by themselves and this class is not divisible for purpose of entitlement and payment of pension into those who retire 'before' and those who retire 'after' a certain date arbitrarily fixed for the purpose. This being the law, it is a factor to reckon that any changed formula for computation of pension will work back all pensioners who retired earlier also. (2.43)
21. The scheme of pension should not act as a disincentive to savings or breed waste or extravagance or undermine the incentive to work. The state should explore the possibility of utilising the experience and expertise of its good and able pensioners as best as possible. Pensioners should look on such opportunities as means for serving their country even in retirement. (2.44)
22. Good pensions, like any thing good, should be earned during working life and valued during retired life. (2.45)
23. Most of the State governments have generally been following the central government pattern for grant of pensionary benefits to their employees. Even changes made from time to time in various rules with regard to these benefits by the State governments appear to have been influenced by the improvements made by the central government. (3.2)
24. The retirement benefits in different States are generally on the existing central government pattern except in regard to the restoration of commuted value of pension. (3.9)
25. The benefits available to employees of Public Sector Undertakings (PSU) at the time of retirement are mostly in the form of employers' contribution to provident fund, gratuity and facilities for leave encashment. Family pension scheme has also been adopted by some of the PSU under the provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952. This scheme is different from the family pension scheme applicable to central government employees. (4.1)
26. No reduction is favoured in the existing requirement of 10 years qualifying service for grant of pension to civilian employees. (5.12)
27. The calculation of pension with reference to the pay last drawn may not be beneficial to employees in all cases. The existing scheme under which pension is calculated with reference to pay drawn during the last 10 months of service may continue. (5.15)
28. To simplify and rationalise matters pension may be calculated at 50 per cent of pay for all categories of central government employees. (5.19)
29. Basic pension for government employees may not exceed Rs. 4500 per mensem. (5.20)

30. The pay for purposes of retirement benefits should be the basic pay in the revised pay structure. (5.21)

31. In evolving a scheme based on pension fund the government will have to consider if the fund should cover only the fresh entrants to government service or also the existing employees. The institutional arrangements for management of the pension fund by way of creation of special trust, employees response to the proposed scheme and all other related aspects will also have to be considered. (5.22)

32. To rationalise matters service gratuity may be allowed at a uniform rate of 1/2 month's pay for each completed six monthly period of qualifying service below 10 years. (5.23)

33. No change is recommended in the existing rules governing payments of Death-cum-Retirement Gratuity. DCRG may be treated as retirement gratuity. (5.27)

34. Temporary employees who have rendered continuous satisfactory service for long periods should be given the benefits of pension and DCRG as available to permanent employees on superannuation. The required period of service may be reduced from 20 to 10 years in such cases. In the case of employees whose total temporary service is less than 10 years at the time of retirement terminal gratuity may continue to be admissible as at present. (5.30)

35. The basic rates of family pension should be different from the normal pension rates. (6.6)

36. The existing rates for grant of family pension may be revised as follows :—

<u>Basic pay in the revised scales</u>	<u>Rate of family pension per mensem</u>
(a) Rs. 1500/- and below	30 per cent of pay subject to a minimum of Rs. 300.
(b) Above Rs. 1500	15 per cent of pay subject to a minimum of Rs. 450 and a maximum of Rs. 1000.

No change is necessary in the existing provisions for payment of family pension at higher rate for a period of 7 years or upto the age of 65 years, whichever is less. Family pensioners should continue to be eligible for grant of relief on pension in case of increase in prices to the same extent as other pensioners. (6.8)

37. A better way of providing relief to the family of an employee who dies while in service after 20 years of service would be to increase the rates of death gratuity. (6.11)

38. The rates of death gratuity may be revised as follows.—

<u>Qualifying service</u>	<u>Amount of death gratuity</u>
Less than one year	2 times of pay
One year and above but less than 5 years	6 times of pay
5 years and above but less than 20 years	12 times of pay.
20 years and above.	1/2 of pay for each completed 6 monthly period of qualifying service subject to a maximum of 33 times the pay and monetary limit of Rs. 1.00 lakh. (6.11)

39. In all cases of death in harness (whether the employees are permanent, quasi-permanent or temporary, death gratuity may be paid to the families at rates recommended. (6.12)
40. There should be uniformity with regard to the age limits applicable to children of deceased employees in the matter of grant of pensionary benefits under the various rules. It may be examined by government whether a uniform age limit could be prescribed both for sons and daughters. Once a uniform age limit has been prescribed, the condition under the existing rules that the family pension payable to a son or a daughter shall be stopped if he or she starts earning his/her livelihood may be removed. (6.13)
41. Modification in the definition of family for grant of benefits under the different service rules the several implications and should be considered by government in all its aspects, keeping in view the repercussions on employees working in various organised sectors. Government may also consider the larger question of the responsibility which it should assume at this stage for the families and other dependents of deceased government employees only. (6.17)
42. In the family pension scheme under the pension rules no separate pension is payable to children. If the wife/husband of the deceased employee is alive family pension is paid only to her/him. Where the deceased employee does not have a living wife/husband that pension is payable to children upto specified age. The same principle should apply to family pension under EOP rules also and the additional pension admissible to children should be merged and consolidated family pension given. (7.10)
43. The rules for payment of education allowance to children are cumbersome as they involve verification of annual income of deceased employees family from time to time before the allowance is paid. The present procedure needs to be simplified and brought in line with the provisions of family pension under pension rules. (7.11)
44. Rates of consolidated family pension inclusive of children's pension and education allowance where applicable in different sets of circumstances will be as given in 7.11. (7.11)
45. At present the monthly amount of disability pension for 100 per cent loss in the earning capacity is equal to the ordinary family pension admissible under the pension rules. This may continue. (7.12)
46. In cases where an employee has suffered disability attributable to government service and has been granted disability pension under the EOP rules and needs some artificial aids under medical advice he should be provided such aids initially and their replacement subsequently should also be provided by government. (7.13)
47. The existing pay limit of Rs. 700 per mensem for grant of family pension under liberalised pensionary awards may be raised to Rs. 2200 per mensem. These awards need to be rationalised. (7.17)
48. No change recommended in the existing limits on commutation of pension. The whole system of commutation of pension requires a *de novo* examination. Government may examine the feasibility of introducing scheme under which pension will be restored after a short period of about 7 years or so for both civil and defence pensioners. (8.7), (8.8) and (8.9)
49. Contributory Provident Fund beneficiaries who have retired prior to March 31, 1985 with a basic pay upto Rs. 500 per mensem may be given an ex gratia payment of Rs. 300 per mensem in addition to the benefits already received by them under the CPF scheme. The ex gratia payments and

the periodic increases already received by those who retired on pay upto Rs 500/- may be so adjusted that the total amount of ex gratia payment is not less than Rs. 300/-. The ex gratia amount of Rs. 300 per mensem may be reviewed as and when dearness relief is sanctioned to pensioners. (9.6)

50. Widows and dependent children of deceased CPF beneficiaries getting pay upto Rs. 500/- per mensem may be sanctioned ex gratia payment of 50 per cent of the rate. (9.7)

51. The Contributory Provident Fund beneficiaries still in service on January 1, 1986 should be deemed to have come over to the pension scheme on that date unless they specifically opt out to continue under the CPF scheme. Government may extend the benefit of DCRG to CPF beneficiaries in departments other than Railways on the same lines as in Railways. (9.8)

52. Department of Railways may consider the feasibility of giving option to other CPF retirees to come over to the pension scheme with effect from January 1, 1986 subject to their refunding to government the entire amount of government contribution inclusive of interest thereon credited to their provident fund account at the time of their retirement. (9.9)

53. Based on the recommendations of pay commissions, government has been making improvements in the pensionary benefits of various categories of government employees. The benefits of such improvements were from a prospective date. (10.1)

54. The Nakara judgement is a landmark in the evolution of pension structure for past pensioners and has laid down the law of the land in this regard. In terms of this judgement some improvements in pensionary benefits have already been extended by government to pensioners, including those who retired prior to the date from which the improvements became effective. (10.2)

55. Government has also extended in the past the benefits of minimum pension to existing pensioners. (10.3)

56. Apart from improvements made by government in the pensionary entitlements based on the recommendations of pay commissions or on its own, merger of full dearness allowance with pay has been done from time to time since the pay scales recommended by the First Pay Commission came into force. (10.4)

57. Personal pension was introduced for the first time for a number of employees who retired after March 31, 1985. It does not qualify for grant of any graded relief. (10.4)

58. In Department of Pension and Pensioners' Welfare Office Memorandum No. 42(4)-P&PW/86 dated March 3, 1986 while granting graded relief to pensioners with reference to index average 608 with effect from January 1, 1986 it has been stipulated that the amount of pension plus graded relief in the case of those governed by tables I and II will not exceed Rs. 1938 and in the case of those governed by table III it will not exceed Rs. 1863. (10.7)

59. Employees retiring from broadly comparable posts at different points of time are receiving different amounts of pension on account of merger of dearness allowance with pay and due to graded relief granted from time to time. (10.8)

60. Pensioners' associations and individual pensioners have drawn attention to the disparities in pension of broadly comparable retirees and suggested that a method should be devised for equalisation of pensions. Retirees from armed forces have suggested that they should get the same rank pension as would be admissible to future retirees. (10.9)

61. The amount of pension undergoes changes as and when the pay scales are revised. Any attempt to equalise pension with reference to the revised scales of pay would amount to retrospective application of these scales of pay. It is difficult to accept the suggestion for equalisation of pension with reference to that admissible in the revised scales of pay. (10.10)

62. The application of any one formula is not likely to benefit all categories of past pensioners. The matter is to be viewed from a perspective which not only confers benefits to the pensioners who deserve it but is also simple and easy to administer. Whatever relief is to be provided it should be such that it is easily given to those who retired long ago by the pension disbursing authorities without requiring any detailed recalculation of pension by the pension sanctioning authorities and processing through various channels. (10.11)

63. The scheme recommended for grant of relief to pensioners for price rise over index average 608 is to apply both to existing pensioners and those who retire in future. It is necessary that the pension structure for existing pensioners is rationalised and simplified. Under the existing government orders there are four tables presently being used by all pension disbursing authorities for determination of graded relief on the pensions being disbursed by them. Any additional relief to the existing pensioners should therefore be based on these tables with which the disbursing authorities are fully conversant. (10.12)

64. As a result of pegging the amount of graded relief to pension of Rs. 500, those drawing pension above Rs. 500 have not been given adequate relief against price rise in the past. This situation needs to be rectified while evolving a proper pension structure for existing pensioners. (10.13)

65. Both civil and defence pensioners drawing pension upto Rs. 500 per mensem including family pensioners and persons in receipt of extra-ordinary pension may be granted additional relief at rates recommended. (10.14)

66. The relief in the case of both civil and defence pensioners drawing pension above Rs. 500, may be recalculated in the manner indicated. (10.15)

67. The recommendation for recalculating pension at 50 per cent of pay instead of the slab system should apply to all existing pensioners and the ceiling on pension plus graded relief should not apply to those who retired prior to March, 13 1985. (10.17)

68. The benefit arising out of recalculation of pension at 50 per cent should not be counted for computation of additional relief recommended. (10.17)

69. Minimum pension for pensioners including family pensioners may be fixed at Rs. 300 per mensem. In case of existing pensioners, where the total amount of existing pension plus relief plus additional relief recommended falls short of Rs. 300, the same may be raised to Rs. 300 per mensem. This minimum shall also apply to future pensioners. (10.18)

70. The reliefs now admissible and those recommended should be consolidated with the pension in every case and the total amount so arrived at should be deemed as pension in the rationalized structure proposed with effect from January 1, 1986. The consolidated amount of pension should be the basis for grant of future relief. (10.19)

71. The additions to pensions recommended in Chapter 10, will not qualify for any additional commutation for existing pensioners. (10.19)

72. Government may consider paying a lump sum amount in lieu of the personal pension on a basis considered appropriate so that this does not continue as a separate element in the rationalised pension structure. (10.20)

73. Dearness relief in future should provide full neutralisation of price rise to pensioners drawing pension upto Rs. 1750 per mensem, 75 per cent to those getting pension between Rs. 1751 and Rs. 3000 and 65 per cent to those getting pension above Rs. 3000. The price rise for purposes of grant of relief to pensioners in future should be worked out in the same manner as recommended for serving employees in Part I of report may be given twice a year. (11.7)

74. So far as the existing pensioners are concerned their pensions may be rationalised at index average 608 (1960 — 100) in the manner recommended. Relief at the revised rate recommended may be given on the consolidated pensions in future for price rise over index average 608. (11.8)

75. It is not desirable to encourage the present tendency to continue provisional pension to retiring employees. Government should adopt suitable measures to tone up the administration and ensure that every retiring employee gets his pension payment order on the day of his retirement. Appropriate interest should be paid to the pensioner for any delay in sanctioning pension beyond three months from the date of his retirement. (12.3)

76. The Department of Pension and Pensioners' Welfare should try to build up a detailed and easily accessible data bank about pensioners of various categories in different organisations of the Government of India. (12.4)

The government should evolve a simple system of payment of pension through banks all over the country, particularly for members of all India Services. (12.5)

77. Government may examine the feasibility of introducing a pension book for pensioners. A beginning towards mechanisation can also be made by introducing modern filing and indexing systems and by use of electronic calculators. Suitable facilities should also be provided to pensioners while they wait at pension disbursing offices to draw their pension. (12.6)

78. A change of attitude on the part of bank personnel is also required and pension disbursement should not be treated by the banks as a routine activity. This work should be viewed as an obligation which the banks discharge on behalf of the government. Pensioners should be treated as respected senior citizens. Special counters should be opened for them to expedite payment of pension. (12.7)

79. It may be examined if pensioners could be allotted identification numbers so as to facilitate computerisation of data. This will be a first step towards computerisation. The Department of Pension and Pensioners' Welfare should set up an expert body to study pension disbursement system and streamline all the existing procedure for disbursement. This should be a continuing effort so as to provide maximum satisfaction to the pensioners. (12.8)

80. The existing system of standard rate of pension for commissioned officers may be modified and the retiring pension calculated for each officer based on his pay and the actual qualifying service rendered by him after adding the weightage of service presently admissible. (13.8)

81. In case of personnel below officer rank, the existing system of standard rate of pension separately for each rank in the various pay groups may continue with the existing weightage of 5 years. (13.9)

82. The retiring/service gratuity may be paid at a uniform rate of one month's pay for every completed year of service. (13.14)
83. There may be no reduction in the service gratuity irrespective of whether the retirement is on compassionate grounds or on personal reasons. (13.14)
84. Weighstage of 5 years may be added to the actual qualifying service for determining death-cum-retirement gratuity for armed forces personnel. (13.15)
85. The revised rates of disability element for 100 per cent disability may be fixed at Rs. 600/- for officers and honorary commissioned officers and Rs. 450/- for JCOs, personnel below officer rank and non-combatant (enrolled). (13.20)
86. The revised ~~of~~ rates of disability element may be extended to all existing disability pensioners of ^{arm}forces. (13.20)
87. Where disability is assessed as permanent and the serviceman is retained in service, 100 Per cent commuted value of disability element may be paid. (13.21)
88. Constant attendant allowance both for battle and non-battle casualties may be increased to Rs. 300 and may be extended to existing disability pensioners also. 13.24)
89. The existing rates of special family pension, children allowance, children education allowance may be replaced by consolidated rates of special family pension. (13.27)
90. The terminal gratuity for short service commissioned officers may be equal to one month's pay for each completed year of service. (13.36)
91. The office of the Director General Resettlement may be upgraded to enable the Director General Resettlement to liaise effectively with the State Governments/Union Territories/Public Sector Undertakings. (14.17)
92. Central Government Health Scheme facilities may be extended to all retired civilian government employees including those of Union Territories even if they were not covered by it while in service, wherever such facilities are provided. (15.5)
93. Government may examine the question of introducing a special comprehensive medicare scheme for all pensioners. The scheme should be simple and easy to administer and provide facilities similar to those available under CGHS. (15.6)
94. Department of Railways may examine the improvements that will be necessary in extending further facilities of medicare to retired railway employees. (15.7)
95. Government may review the position from time to time and extend such additional facilities to defence pensioners as may be feasible taking into account all relevant factors. (15.8)
96. Government may examine the possibility of providing facilities of reading room, library, recreation, etc. in major metropolitan centres having substantial number of pensioners preferably in the same complex where a CGHS dispensary is located so as to serve the social needs of the pensioners. Such a place will also provide opportunity for exchange of information. (15.9)
97. There are many government and quasi government agencies engaged in house building with substantial financial assistance from government and/or public financial institutions. A certain percentage of houses constructed by them may be reserved for allotment to retired central government employees. (15.10)

98. Government may review the existing rules and procedures relating to commercial employment after retirement so as to enable the concerned ministries to deal with these cases as well as identify specific posts for which prior permission should be necessary. (16.4)
99. As the retirement benefits of the employees will improve with the revised scales of pay government may review the entire question of fixation of pay on re-employment including the amount of pensionary benefits which should be ignored on such re-employment and issue revised guidelines. (16.6)
100. No change is proposed in the existing rules governing grant of relief of pension and family pension to central government employees observed in public sector undertakings. (16.10)
101. Government may examine broad-basing the objectives of Standing Committee of Voluntary Agencies so as to highlight the various problems of pensioners like medical and housing needs, their utilisation in social welfare schemes like adult education, rural development, urban improvement, etc. While doing so Secretaries of the concerned Ministries' Departments, representatives of State Governments (by rotation) may also be included in the Committee. This will serve as a forum to deal with all problems of pensioners. The Standing Committee may be presided over by the Cabinet Secretary or Secretary, Department of Personnel. (16.12)
102. Recommendations regarding death-cum-retirement benefits for Central government employees including personnel of union territories, all India services and armed forces may be given effect from January 1, 1986. (17.2)
103. In the implementation of our recommendations hard cases, if any, may be dealt with on merits by government. (17.3)
104. The immediate additional expenditure on the recommendations is estimated to be about Rs. 300 crore per annum. About 90 per cent of the expenditure is in respect of rationalization of existing pension structure and much needed relief for past pensioners and retirees and this expenditure will be justified in meeting genuine needs of pensioners. (17.5)

CONCLUDING OBSERVATIONS AND ACKNOWLEDGEMENTS

In Part I of our report we have recommended an improved pay structure to enable a government employee to lead a clean, honest and respectable life at a standard compatible with what his likes attain or accept as reasonable at his level of living. We have dealt with pensionary benefits and other related matters against the following background,—

- (i) the rationalised and improved pay structure recommended by us in Part I of our report;
- (ii) the existing retirement benefits and the difficulties brought to our notice;
- (iii) giving a fair deal to all government employees and pensioners;
- (iv) the complexity of the existing pensionary schemes and to need to introduce simplicity and easy understanding; and
- (v) efficient and quick administration of the schemes.

In evolving a proper pension structure, we have viewed pay and pension as an integral part of the career of a government employee requiring equal attention. It must be emphasised and realised right from the beginning of the career that full economic security on retirement cannot be ensured only through a pension system but every retiree must have some personal savings also. Pension income, even if suitably protected against price rise, will not provide the same purchasing power throughout. There is therefore need to encourage employees right from the beginning of their career to make positive efforts to save some portion of their income towards retirement needs. Our recommendations in Part I of our report relating to restrictions on advances and withdrawal from provident fund, higher benefits under group insurance scheme, the scheme proposed by us for a Housing Fund and other benefits will undoubtedly make it possible for them to have some savings.

Retired persons had limited opportunity to represent to government to bring their earnings in line with prices though they are equally affected by it. It is in this context that we have suggested a regular arrangement for relief against price rise for pensioners also.

Some of the employees who retired several years ago receive pension less than that admissible to employees who will be retiring hereafter. There is need to evolve a scheme for rationalising and improving the pension structure otherwise the existing distortions among pensioners would continue to be a source of dissatisfaction.

As the pay structure is in the process of being revised on the basis of our recommendations and long range nature of pension commitments, we have considered it prudent to bring the changes in pension structure suitably in line with pay revision rather than doing it later. The timing of the restructuring of pension is important as it will eliminate many of the future difficulties. We have therefore suggested consolidating pension including relief at a particular index level. It will eliminate the need to continue many different schemes and orders issued thereunder. It will also provide equitable though not necessarily uniform benefits and restore a proper balance between past and future pensioners. It will also provide a simple but more efficient administration of pension system.

However, some of the differences which were inherent in the various schemes cannot be totally resolved. Therefore what we have recommended is a rationalised pension structure which will reduce the differences between different categories of pensioner to some extent. We are aware of the limitations of this approach but for the ultimate success of a pension system we have combined the ideal with the possible.

Pension structure recommended by us will provide a reasonable measure of security in old age and undoubtedly provide incentive to government employees to contribute their best in the form of improved service to the community. We have, in Part I of our report, indicated the purpose behind our various recommendations and following the same underlying need and the increased awareness of security in old age, we have recommended restructuring of the pension system. Hopefully we look forward to this being realised.

We have been able to complete this part of our report with the help and assistance of all concerned. We are grateful to the Comptroller and Auditor General, the Cabinet Secretary, Secretaries of Ministries and Departments, heads of various organisations and others who responded to our invitations for discussions on various issues. The three Services Chiefs also favoured us with their views on various matters relating to pensionary benefits of armed forces personnel and problems of ex-servicemen and we are grateful to them. We would like to express our thanks to the officers of ministries/departments, state governments, union territories and public sector undertakings who gave us all necessary assistance in the completion of our work. We are also thankful to the representatives of unions and associations of central Government employees and pensioners who gave us their views both in writing and during the discussions on various matters.

We gratefully acknowledge the work done by all officers and members of the staff at all levels in the secretariat of the Commission. The dedication of the members of our staff and their expertise in their respective fields of work helped us in the completion of our task. Our Consultant—Shri S.S. Parhar gave useful suggestions and advise and we are thankful to him. While we are unable to acknowledge the work done by our staff individually, we note with gratitude their contribution to the work of the Commission. In particular, we would like to place on record our sincere appreciation of the work done by Shri H.M. Singh, Additional Secretary, Shri R.K. Mathur, Joint Secretary and Sarva Shri S.C. Dutta, T.R. Shahani, N. Parthasarathy, Ajay Prasad, Directors and Shri M.R. Vaidya, Deputy Secretary. Dr. S.S. Srivastava, Director and his staff have been mainly responsible for the preparation of the statistical supplement to our report and we are also grateful to them. We also wish to place on record the valuable assistance given by Sarva Shri V.P. Jain, Secretary to Chairman, B.K. Das and Iqbal Nath who functioned as Private Secretaries to Member and Member-Secretary.

Sd.

(Prof. M.V. Mathur)
Member

Sd.

(A.K. Majumdar)
Member Secretary

New Delhi

December 12, 1986.

It is necessary to place on record my grateful thanks to my esteemed colleague, Shri A.K. Majumdar, Member-Secretary of the Commission. His vast knowledge of administration was of immense help in dealing with the problems of pensioners and pension structure. The leadership provided by him to our Secretariat made it possible for the commission to complete its task in good time.

New Delhi
December 12, 1986.

Sd.
(Prof. M.V. Mathur)
Member