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F. No. 1-38/2014-IFD
Government of India
Ministry of Environment, Forests & Climate Change
(Integrated Finance Division)

'Agni' Ist Floor, Indira Paryavaran Bhavan,
Jor Bagh, New Delhi-110 003.
Dated, the 2nd December, 2014.

OFFICE MEMORANDUM

Subject: **Introduction of Pension Scheme on superannuation of employees of Autonomous Bodies (ABs) – detailed instructions from Ministry of Finance, Department of Expenditure- regarding**

The undersigned is directed to say that in reply to the reference made by this Ministry on the above subject relating to Gobind Ballabh Pant Institute of Himalayan Environment & Development (GBPIHED), the Ministry of Finance, Department of Expenditure, while disagreeing to the request made, has given the following directions contained in paras (i) to (xiv) below **for compliance** by all the Autonomous Bodies (ABs) under this Ministry :-

(i) The employees of ABs are not Central Government servant. As per para 9 of Manual of Office Procedure, Autonomous Bodies (ABs) are such bodies which are established by the Government to discharge the activities which are related to Governmental functions although such bodies are given autonomy to discharge their functions in accordance with the Memorandum of Associations, etc.

(ii) The ABs are either registered under the Indian Societies Registration Act are created by an Act of Parliament. Every AB is set up with a specific objective and is governed by different Bye Laws/Statute.

(iii) While the Central Government servants are governed by FRs/SRs and CCS Rules, the employees of ABs are governed by their own Bye Laws adopted by the respective Governing Council/Executive Council and approved by the Government.

(iv) In accordance with their Bye Laws/Statute, different ABs have different Pension Schemes. Some ABs have GPF-cum-Pension Scheme, some have Contributory Provident Fund (CPF) Scheme and some ABs have both the Schemes. The ABs cannot, therefore, claim parity on various retirement benefits either with one another or with the Central Government employees, who are governed by CCS (Pension) Rules, 1972.

(v) The employees of an AB, where pension scheme is pre-existing, are recruited with the entitlement of pension as one of their service condition. An employee of GBPIHED has not been recruited with the entitlement of pension, but has been recruited with the condition of entitlement of benefits of CPF Scheme. The employees of GBPIHED, therefore, cannot claim for shifting over from CPF Scheme to GPF-cum-Pension Scheme as a matter of right.

(vi) Prior to implementation of recommendations of Fourth CPC in mid 80s, CPF used to be preferred option due to higher rate of interest. However, with the implementation of the recommendations of Fourth Pay Commission, had also recommended that the **Central Government Employees** be given a final option to shift from CPF to GPF-cum-Pension Scheme. Accordingly, the Government vide O.M. No. 4/1/87-PIC I dated the 01.05.1987, all Central Government employees who were in service on 01.01.1986 and who were still in service on the date of issue of orders, deemed to have come over to the Pension Scheme unless specifically opted for CPF. This order was meant for only Central Government employees and not directly applicable to the employees of ABs.

(vii) It is further stated that the Government constitute Pay Commission for recommending pay structure of emoluments and conditions of service of the Central Government employees. The recommendations of Pay Commission do not apply suo-moto to the employees of ABs unless extended in respect of ABs by the Government.

(viii) The views of the Government to not support introduction of Pension Scheme in ABs were well articulated in Department of Expenditure letter dated 16.03.2000. The then Joint Secretary (Pers.), Department of Expenditure vide her common D.O. letter No. 25 (1)/E V/2000 dated 16.03.2000 addressed to all Ministries/Departments of Government of India apprise the main reason for not approving the proposal for introduction of pension scheme in ABs as under:

(a) The cost of introduction of Pension Scheme is much higher than the CPF Scheme. The cost of pension keeps on increasing with every increase/revision in the scales of pay/ pensionary benefits recommended by the successive Pay Commissions set up by the Government.
(b) While CPF is a one -time payment, pension is a life -long commitment on the part of the Government.
(c) For servicing a pension scheme, a Pension Fund has to be set up to be managed by a Trust. Difficulties may be experienced in judicious administration of the Fund.

(d) In case of winding up of organisation, the Government may have to take over the entire liability of the Pension Fund.

(e) Any cut- off date fixed by the Government is not likely to be accepted by the employees who retired prior to the cut-off date.

(f) The recurring financial implications of introduction of Pension Scheme in ABs are likely to be very substantial, particularly after acceptance of the recommendations of Fifth Central Pay Commission, involving a significance liberalization of the provisions relating to pension, gratuity, commutation of pension, family pension, etc.

(ix) Vide the above D.O letter, ABs were advised to continue to follow the CPF Scheme or the AB, if they so desire, may work out an annuity Scheme through the Life Insurance Corporation of India (LIC) based on voluntary contribution by the employees and without any contribution from the Government or the employees may join the Pension Scheme introduced by the Ministry of Labour for the PF Subscriber. Administrative Ministries were cautioned that introduction of Pension Scheme on Government of India pattern to the employees of AB should not be agreed to as a rule.

(x) The Government of India introduced New Pension Scheme (NPS), based on defined contributions for new entrants recruited in Central Government service on or after 01.01.2004, in view of the fact that the sustainability of the Defined Benefit Pension Scheme became a matter of concern. In line with the decision, Department of Expenditure vide O.M. No. 1(13)/EV/2001 dated the 13.11.2003, decided that the new entrants in all ABs under various Central Ministries/Departments recruited on or after 01.01.2004 will also be governed by new scheme and not by the existing pension scheme in these organisations.

(xi) Proposals from various ABs were being received in the Ministry of Finance with a request for a shift from CPF to GPF-cum-Pension Scheme or for creation of a Pension Fund in respect of the employees who joined before 01.01.2004. Under the circumstances, vide O.M. No. 1(2)/EV/2007, dated the 30.06.2009, it was decided that such autonomous organisations, may also be permitted to shift to a defined contribution pension scheme i.e. NPS in respect of the employees who joined before 01.01.2004. Vide this O.M, addressed to all Ministries/Departments, the guidelines/ instructions for transition from Contributory Provident Fund to Defined Contribution Pension Scheme for the employees of ABs who joined before 01.01.2004 was circulated. The salient features of the Scheme are as under:-

(a) The existing Corpus of Contributory Provident Fund (both employees and the employers) would be moved over to the Trust Fund Accounts under the New Pension Scheme.

(b) In order to facilitate the transition from Contributory Provident Fund to Defined Contribution Pension Scheme, the ABs would make, in addition, one time ex-gratia payment of 10% of the employer contribution for each of the employee opting to switch over to the NPS.

(c) Recurring monthly contribution by employee @ 10% of basic pay + DA and a matching contribution by the autonomous organisation @ 10% of basic pay + DA would be payable. The employer's contribution would be made from the month the organisation/employee shifts over to NPS and would be limited to 10% of basic pay + DA.

(d) The procedure for NPS would be identical to that presently applicable for employees appointed on or after 01.01.2004. In this context, PFRDA may be consulted for further details on the implementation of the Scheme. Reference is invited to their earlier O.M. NO. 1(13)EV/2008 dated 28th November, 2008, detailing the procedure for NPS in respect of the employees of the Autonomous Bodies appointed on or after 01.01.2004.

(e) The employees recruited prior to 01.01.2004 may be given an option either to remain in the existing CPF Scheme or move over to NPS.

(xii) Therefore, at a time when Defined Contributory Pension has been made mandatory in the form of New Pension Scheme in respect of employees recruited on or after 01.01.2004, any step backward by adopting Defined Benefit Scheme for a set of employees would be retrograde step.

(xiii) Further, the financial implications for agreeing to the pension scheme in GBPIHED will not be limited to GBPIHED alone as it will lead to similar demand from all Autonomous Bodies. As per the preliminary findings of an on-going study conducted by the National Institute of Financial Management (NIFM), for the Department of Expenditure to compile data in respect of ABs, there were 238 Autonomous Bodies out of a total of 497 ABs (as on 29.10.2013) where pension scheme is not available. As per the same study, the sanctioned strength of posts in respect of all ABs is around 4.35 lakh. Given the fact that about 40% of the Autonomous Bodies don't have a Pension Scheme, it may be estimated that around 40% of the employees in the ABs, i.e. 1, 60,000 employees are not covered by GPF-cum-Pension Scheme. At current level of Pension, assuming Rs. 20,000/- as the average pension of a Government employee, a corpus of Rs. 30.00 lakhs per employee would be required. This works out to a total requirement of Rs. 48,000 crores for the Government of India which will need to be paid to the ABs for introduction of Pension Scheme by them. In fact, because of the rising rate of Dearness Allowance and revision of pay scales from time to time, this requirement is expected to be even larger. This also does not include the implications on account of the retired employees.

(xiv) In case of winding up of organisation, the Government may have to take over the entire liability of the pension fund. Further, if the revenue generated by the AB, if any, is not sufficient to sustain the pension scheme at any stage, the liability would ultimately fall on the Government.

2. It is also requested that the PDs may kindly keep the above directions of the Ministry of Finance in view while examining pension proposals of any Autonomous Body and before forwarding the same to the I.F.D.

This issues with the approval of AS&FA.

(H.H. Mishra)
Director (IFD)

To

All Divisional Heads dealing with the Autonomous Bodies

Copy to:

(i) PPS to Secretary (EF&CC)
(ii) PPS to DGF&SS
(iii) PPS to SS (SS)
(iv) PPS to AS&FA
(v) PPS to AS(SK)
(vi) PPS to AS (HP)

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