

Pensionary benefits of civilian employees and Defence Forces Personnel

Introduction

5.1.1 As per its Terms of Reference, this Commission is required to examine the principles that should govern the structure of pension, death-cum-retirement gratuity, family pension and other terminal or recurring benefits having financial implications for the present and former Central Government employees appointed before January 1, 2004.

5.1.2 The Commission, therefore, had to consider pension and other related issues of all the Central Government employees except those covered under the New Pension Scheme which extends to all the Central Government employees, except those belonging to Defence Forces, as had joined the Government on or before January 1, 2004.

5.1.3 Central Civil Services (Pension) Rules, 1972 regulate pension of Central Government employees appointed on or before December 31, 2003. The employees of Union Territory Administrations and civilian Government employees in the defence services borne on pensionable establishments are also covered by these rules. The term pension is not specifically defined under these Rules. The Supreme Court in the famous judgment of D. S. Nakara Vs. Union of India (AIR 1983, SC 130) had observed that pension is a payment for past services rendered.

Number of pensioners

5.1.4 The Commission deliberated all the issues relating to pension very carefully because the fate of a large number of pensioners depends on this issue. To get a clear perspective, details of the existing Central Government pensioners who would be affected by the recommendations on pension/related benefits is as under:-

Department		Number of pensioners
• Railway	-	10.18 lakh
• Posts	-	1.58 lakh
• Defence	-	19.40 lakh
• Telecom	-	1.42 lakh
• Civil	-	5.83 lakh
Total	-	38.41 lakh

Pension liability of the Government 5.1.5 The annual pensionary liability of the Government at present is in excess of Rs.30,000 crore. While recommending modifications in the existing pension scheme, the Commission was guided by the twin objectives of ensuring a fair deal to all the pensioners, simultaneously keeping in view the capacity of the Government to bear additional burden on this account.

Superannuation or retiring pension 5.1.6 Superannuation or retiring pension is granted on retirement from service on superannuation or invalidment after continuous service of 10 years or more. The retiring pension is also available on voluntary retirement after 20 years service or more. Presently, full pension is payable on completing qualifying service of 33 years or more. It is paid at the rate of 50% of the average emoluments drawn during the last 10 months of service.

Pensionary Benefits of Civilian Employees

Retiral benefits available 5.1.7 Different retirement benefits available to civilian employees are discussed in the succeeding paragraphs.

Gratuity 5.1.8 Three different kind of gratuity is payable in Government:-

- (i) Service gratuity is payable to a permanent employee retiring before completion of 10 years of qualifying service. It is payable at the rate of half month's emoluments for every six months of qualifying service. This gratuity is payable in addition to retirement gratuity
- (ii) Retirement gratuity is payable to employees retiring after minimum 5 years of qualifying service. It is payable at the rate of 1/4th of emoluments for each six monthly period subject to a maximum of 16.5 times the emoluments (including DA) or Rs.3.5 lakh, whichever is less.
- (iii) Death gratuity is payable in case of death in service. It is paid at the rate of twice the emoluments for service less than one year. In case of service between 1-5 years, it is payable at six times the emoluments. For service between 5 to 20 years, it is payable at twelve times the emoluments. In case the service exceeds 20 years, death gratuity is payable at the rate of half the emoluments for every six months period subject to a maximum of 33 times the emoluments (including Dearness Allowance) or Rs.3.5 lakh, whichever is less.

Encashment of leave 5.1.9 Presently in the Government, encashment of Earned Leave (EL) is allowed at the time of retirement as well as while availing LTC.

5.1.10 Limit of encashment of EL at retirement was increased from 180 days to 240 days by the Fourth CPC and to 300 days by the Fifth CPC.

5.1.11 No encashment while in service was allowed till Fifth CPC. Fifth CPC, apart from recommending increase in the maximum number of EL encashable at the time of retirement to 300 days, also allowed encashment of EL while in service. Encashment of EL upto 10 days on each occasion subject to a maximum of 60 days was allowed while availing LTC. EL encashed during service was to be deducted from the overall ceiling of 300 days.

5.1.12 Encashment of half pay leave is also allowed in case sufficient EL is not available. The extant formula reduces the half pay leave so encashed by the amount of pension payable. The Fifth CPC had observed that no real financial benefit accrued to the retiring Government employee on account of the deductions inherent in the formula. The Fifth Pay Commission had, accordingly, recommended abolition of this formula for encashment of half pay leave and had proposed that Central Government employees be allowed to encash their accumulated half pay leave at the time of their retirement to the extent of the shortfall, if any, in the maximum earned leave that can be encashed by them. This recommendation of the Fifth CPC was, however, not accepted.

Family pension

5.1.13 Family pension is payable to the spouse of the deceased employee/pensioner or other eligible family members at the rate of 30% of the last pay drawn.

5.1.14 Family pension was first introduced under the Family Pension Scheme, 1950 which allowed 50% of the pension as family pension to employees rendering minimum 25 years of service. Family pension was admissible only for a period of 5 years and maximum family pension payable was Rs.150 p.m. The period of eligibility was reduced to 20 years and family pension made admissible for a period of 10 years w.e.f. 1/4/1957.

5.1.15 A revised Family pension scheme, 1964 was subsequently implemented. Under this scheme, all Government employees with one year of service or who had retired on pension were made eligible for family pension. Spouse and dependent children upto the age of 25 years were eligible. The quantum of family pension ranged from 30% of pay to 12% on a slab system. The scheme also envisaged payment of family pension at an enhanced rate (50% to 24%) for a period of 7 years or the age of superannuation, whichever was earlier.

5.1.16 The scheme of Family pension was liberalized subsequent to implementation of recommendations of the Third Central Pay Commission. The pay limits under the slab system were enhanced. The benefit of family pension at enhanced rates was extended for a period of 7 years or till the employee/pensioner would have attained the age of 65 years, whichever was earlier.

5.1.17 The scheme of Family pension was earlier contributory and the retiring employee had to surrender two months gratuity in order to be eligible for grant of family pension on his demise. From 22/9/1977, the scheme was made non-contributory and the requirement of surrender of gratuity was dispensed with. The rules were liberalized to allow payment of family pension for life to handicapped children or till the time they became self-sufficient.

5.1.18 Subsequent to the Fourth Central Pay Commission, the minimum and maximum amount of family pension were revised to Rs.375 and Rs.1250 p.m. respectively. The slabs for paying family pension were also revised upwards and ranged from 30% to 15% of pay.

5.1.19 The condition of dependency for children of the deceased employee to be eligible for grant of family pension was removed in 1993. All children were made entitled for family pension upto the age of 25 years as against the age of 18 years prescribed in 1964 rules and the age of 21/24 years or till the time of their marriage, whichever earlier, for sons & daughters respectively prescribed by the Fourth CPC.

5.1.20 The scheme was liberalized further as per the recommendations made by the Fifth Central Pay Commission. Family pension was now payable at the rate of 30% of the pay last drawn in all cases. Maximum and minimum family pension was revised to Rs.9000 and Rs.1275 respectively. Family pension at enhanced rate of 50% of the pay last drawn was for a period of 7 years or till the employee/pensioner would have attained the age of 67 years, whichever is earlier. Married, widowed and divorced daughters were included for payment of family pension subject to the ceiling of 25 years. The limit of 25 years was subsequently removed in respect of unmarried/divorced daughters.

Extraordinary pension

5.1.21 Extraordinary family pension is payable under the CCS (Extraordinary) Pension Rules, 1939 at the following rates:-

- (i) In case of death or disability attributable to service or due to accidents in the performance of duty, extra-ordinary family pension is payable at 60% of the basic pay subject to a minimum of Rs.2500 per month.
- (ii) In case of disability, normal pension and gratuity is payable along with disability pension equal to 30% of pay for 100% disability. The disability pension is reduced proportionately for reduced disability. This is subject to the condition that the aggregate of the service and disability elements are, in no case, less than 60% of the basic pay last drawn.
- (iii) In case of death or disability due to acts of violence by terrorists, anti-social elements etc., whether in performance of duties or otherwise, extraordinary family pension equal to last pay drawn upto re-marriage or death is payable. After re-marriage, rules governing ordinary family pension are applicable. If the deceased employee has no widow but leaves behind only children, then all children together get 60% of basic pay subject to minimum of Rs.2500. In case of bachelors, family pension equal to 75% of pay last drawn is payable in case both the parents are alive. The pension is payable at the rate of 60% in case only one parent is alive, irrespective of their income.

Disability pension 5.1.22 If the Government employee is discharged from Government service on account of injuries sustained in specified operations as a result of either attack by or action against extremists, anti-social elements, etc. or in course of enemy action in international war or border skirmishes, he is entitled to a disability pension that comprises a service element and a disability element. The service element comprises the amount of the retiring pension plus gratuity counting service upto the date on which the employee would have retired in normal course. The disability element that is payable is equal to normal family pension for 100% disability with aggregate of service and disability element not being less than 80% of pay last drawn.

5.1.23 In case of death or disability attributable to attack by extremists, anti-social elements and enemy action, the following rates of extraordinary family pension are applicable:-

- (i) family pension equal to last pay drawn upto re-marriage or death. After re-marriage, ordinary family pension is admissible. If there is no widow but only children, all children together get 60% of basic pay subject to the minimum of Rs.2500. In case of bachelors, family pension

at the rate of 75% of pay last drawn is payable to parents or 60% in case only one parent is alive, irrespective of their income.

- (ii) retiring pension plus gratuity counting service till normal age of retirement subject to the total amount not exceeding last pay drawn for 100% disability. Proportional reduction is made for lower disability.

Exgratia

5.1.24 Exgratia is also payable over and above the pension rules to families of Central Government employees who die in harness in the course of performance of their bonafide official duties. The rates of exgratia vary between Rs.5 lakh in cases of death occurring due to accidents in the course of performance of duty whether attributable to acts of violence by terrorists, anti-social elements etc. or otherwise to Rs.7.5 lakh in cases of death occurring due to enemy action in international war or border skirmishes or action against militants, terrorists, extremists, etc.

Changes made in the past in retiring pension

5.1.25 While considering the pension package for Central Government employees, the Commission has kept in view the various changes that have evolved in the pension benefits over the past decades.

5.1.26 The formula for computing pension has been substantially liberalized since the time of First Central Pay Commission. The pension was earlier payable at the rate of 30/80 (37.5%) of the average emoluments. This was later revised to 41.25% (33/80). From 31/3/1979, a slab system for payment of pension was introduced, wherein pension was paid at various rates ranging from 50% to 42.86%. The formula was further liberalized by the Fourth Central Pay Commission and from 1/1/1986, the pension is payable at the rate of 50% of the average emoluments comprising basic pay, dearness pay, non-practicing allowance and stagnation increments.

5.1.27 From 1/1/1996, full neutralization of dearness relief has been allowed to all pensioners. This was in conformity with the recommendations made by the Fifth CPC extending 100% neutralization of the increase in the price index to all the serving Central Government employees.

5.1.28 Central Government employees are also allowed to commute part of their pension for a lump-sum payment which is the commuted value of that portion of the pension. The lump-sum payment is computed by multiplying the commutation factor by 12 and further multiplying the product by the amount of pension

offered for commutation. The commutation factor is taken from the commutation table with respect to the age next birthday. Originally, the amount of pension once commuted was not restored for life. However, pursuant to directions of the Supreme Court in writ petitions nos. 3958-61 of 1983, orders were issued allowing restoration of the commuted portion of pension both in case of civilian and defence pensioners after a period of 15 years on the ground that the commuted value of pension had to be restored once the lump-sum commutation paid and the interest thereon was fully adjusted. The Fifth CPC had recommended an increase in the percentage of commutable pension from 33% to 40% of pension along with its restoration after 12 years. The Commission had also considered the issue of revising the commutation table that has not been revised since March, 1971 and recommended that a detailed review of the commutation scheme based on current data should be carried out that would be more representative and closer to ground realities. The Government accepted the recommendation regarding increase in the percentage of commutable pension without taking any action on the other two recommendations relating to restoration of the commuted pension and devising a new commutation scheme. The present position is, therefore, that a pensioner can commute upto 40% of the pension which would be restored after 15 years.

Demands- pension 5.1.29 Major demands on pension related issues made by the various staff associations and others sought the following relief:-

- (i) Components for purpose of calculation of pension should also include deputation duty allowance dearness allowance and 75% of the running allowance in respect of railway running staff retired after 4.12.88.
- (ii) Qualifying service for full pension should be fixed at 30 years
- (iii) Full pension should be 60% of the emoluments of the last month or the 10 month average, whichever is higher.
- (iv) Pension should be increased to 65% of the last pay drawn after age of 65 and by another 10% at age of 75.
- (v) Minimum qualifying service should be reduced from 10 to 5 years
- (vi) Minimum pension should be made equal to the minimum salary.

- (vii) Full gratuity should be calculated on the basis of 25 days against 30 days in a month as admissible under the gratuity act. The ceiling of 16.5 months should be removed.
- (viii) Full pension should be restored after 12 years, or on reaching 70 years of age, whichever is earlier.

Demands- family pension 5.1.30 Major demands relating to family pension are as under :

- (i) The period of 7 years for grant of enhanced family pension should be raised to 10 years.
- (ii) After the expiry of the above 10 years period, the family pension should be reduced to 75%.
- (iii) The family pension should not be less than the minimum pension of Rs.10,000.
- (iv) In the case of a son, the family pension may be allowed upto the age of 28 years because the recruitment age has been raised to 28 years. In the case of unmarried daughter, the age limit may be done away with.

Recommendations 5.1.31 The Commission has considered the various demands in light of the extant provisions, the need and justification of giving a proper deal to the pensioners and the capacity of the Government to bear additional burden on this account. Recommendations on various pension related issues have, accordingly, been made in the succeeding paragraphs.

Recommendations relating to quantum of pension 5.1.32 As regards the issue of raising the quantum of pension from the existing 50% of the average emoluments to a higher percentage (say 60%), is concerned, it is noted that this demand was also considered by the Fifth CPC who had recommended that a supplementary pension scheme that was contributory in nature could be a viable means of increasing post retirement incomes. It is observed that the new pension scheme that is mandatory for post 31/12/2003 entrants, also envisages a second tier where contributions can be made on a voluntary basis by the Government employees towards their future pension. This can perhaps be utilized by the employees who are desirous of increasing their post-retirement incomes. Consequently, the Commission does not recommend any change in the present rates of pension which is payable at 50% of emoluments on completion of minimum prescribed years of qualifying service. The Commission, however, is of the view that older pensioners

require a better deal because their needs, especially those relating to health, increase with age. Accordingly, the Commission recommends that quantum of pension available to the old pensioners should be increased as follows:-

On attaining age of	Additional quantum of pension
80 years	- 20% of basic pension
85 years	- 30% of basic pension
90 years	- 40% of basic pension
95 years	- 50% of basic pension
100 years	- 100% of basic pension

Recommendations relating to qualifying service

5.1.33 Presently, full pension is payable only on completion of 33 years of qualifying service. The rules also allow grant of upto 5 years of additional qualifying service for purposes of computing pension subject to certain conditions. Hence, an employee presently has to put in a minimum 28 years of qualifying service to become eligible for full pension. This acts as a disincentive for many employees for leaving the Government at an early age even though they have reached a plateau in their career and are not satisfied with their job, because they want to complete the minimum years of qualifying service prescribed for being eligible for full pension. By the time they complete such minimum years of service, they are too old to look for an alternative career and continue in the Government without being motivated to make any significant contribution. This has an adverse effect on the efficiency of the machinery. At the same time, the concerned Government employee is also prevented from pursuing an alternative career. **The Commission, accordingly, recommends that linkage of full pension with 33 years of qualifying service should be dispensed with. Once an employee renders the minimum pensionable service of 20 years, pension should be paid at 50% of the average emoluments received during the past 10 months or the pay last drawn, whichever is more beneficial to the retiring employee.** This will not work as a disincentive to the employees putting in longer years of service because their pay will increase along with the tenure that will have a direct bearing on the pension payable to them. With this, qualifying service will cease to have any relevance as full pension will be payable once minimum pensionable service is put in without any reference to qualifying service. **Simultaneously, the extant benefit of adding years of qualifying service for purposes of computing pension/related benefits should be withdrawn as it would no longer be relevant.**

Recommendations relating to commutation

5.1.34 Earlier, the amount of pension commuted was not restorable. Consequently, a pensioner was eligible to draw only the commuted amount of pension for the remainder of the retired life. The position changed with effect from April 1, 1985 on account of judgment passed in December, 1986 by the Supreme Court in Writ Petitions No. 3958-61 of 1983. In this judgment, the Supreme Court had directed restoration of the commuted value of pension once the commutation amount along with the interest element thereon was recovered fully. Accordingly, orders were issued for restoring the commuted amount of pension after 15 years. These orders were made effective retrospectively from April 1, 1985.

5.1.35 The Commission received many demands for reducing the period of restoring the full pension to 12 years. As mentioned earlier, the Fifth CPC had recommended such restoration after 12 years. The Fifth CPC had simultaneously recommended revision of the commutation table that was last revised in March, 1971. The commutation table is based on the mortality rates then extant amongst Government pensioners and a concessional rate of interest of 4.75% per annum. Department of Pension and Pensioners Welfare had considered the issue of revision of the current commutation table many times. These reviews revealed that whereas the mortality rates had not increased significantly, the rates of interest had become much higher. Another factor which has to be considered in any revision is that the commutation is now restored after a period of 15 years. Hence, any improvement in the age of life expectancy of Government pensioners beyond 15 years will cease to have any effect on computation of the commutation value. The present commutation table is more advantageous to the retiring employees and till the time, the commutation table is suitably revised to present the correct picture, there may not be any justification for decreasing the period of restoration. The Commission had commissioned the Centre for Economic Studies and Policy, Bangalore for evolving a new commutation table keeping in view all the relevant factors. This table is given in Annex 5.1.2 of the Report. **The Government should modify the commutation table being used for purposes of commuting pension, accordingly. All future cases of commutation of pension should be considered as per the revised commutation table annexed to the Report which may be revised periodically by the Government keeping in view the interest rates and the mortality table. Since the commutation under the proposed scheme will be in consonance with the prevailing market rates of interest and the mortality factor, it should be possible to outsource the entire process of making payment on this account. Accordingly, the Government may consider outsourcing the process of commutation of pension to any PSU Bank/Institution which would extend the commuted amount to the pensioners**

and get appropriate rate of interest on such amount. Government could extend an interest subsidy on the interest rate so charged, in case the same is found necessary.

*Amount of
commutation -
Recommendations*

5.1.36 In view of the aforesaid, **the Commission does not propose any change in the maximum percentage of commutation allowed or in the period of restoration.**

*Recommendations
relating to
gratuity*

5.1.37 Most of the Associations have demanded removal of the ceiling of Rs.3.5 lakh on retirement/death gratuity. The Fifth Central Pay Commission had recommended removal of ceiling on all kinds of gratuities keeping in view their recommendation to include dearness allowance in the definition of emoluments for calculation of gratuity. They had observed that with the inclusion of DA in the definition of emoluments, the amount of gratuity receivable will change every six months and any ceiling thereon will become unrealistic. The Government accepted the recommendation regarding inclusion of DA in the definition of emoluments for purposes of computing the amount of gratuity receivable. However, they did not remove the ceiling on maximum amount of gratuity payable but increased this limit from Rs.2.5 lakh to Rs.3.5 lakh w.e.f. 1/1/1996. This has resulted in a situation where employees retiring with the average basic pay of more than Rs.11,687 as on 1/1/2006 get restricted by the maximum limit in so far as payment of gratuity is concerned. While prescribing a limit, it may be necessary to limit the expenditure on payment of gratuity. The existing limit will prevent many Group B and C employees from getting the full benefit of gratuity. Hence, the limit of gratuity has to be such that all employees barring those in the top grades are able to get full benefit of gratuity payable as per the given formula. This is justified as death-cum-retirement gratuity was, at its inception, carved out of pension payable which earlier was admissible at the rate of 30/60 of emoluments in the Liberalized Pension Rules, 1950. The rate was reduced to 30/80 of emoluments when DCRG, at the rate of 9/20 of emoluments for each year of service subject to a limit of 15 times of the emoluments, was introduced. **In view of this and the fact that there is a substantial revision of emoluments, the Commission recommends that the maximum pecuniary limit of Rs.3.5 lakh on payment of gratuity should be raised to Rs.10 lakh.**

*Recommendations
relating to
encashment of
leave*

5.1.38 The last two Pay Commissions had successively increased the limit in accumulation of Earned Leave and its encashment by 60 days which, therefore, increased from 180 days to 240 days pursuant to recommendations of the Fourth CPC and to 300 days as per the recommendations of the Fifth CPC. The last Pay Commission had also allowed encashment of leave while availing

LTC but the number of leave so encashed was deductible from the maximum number of leave encashable at the time of leaving the Government.

5.1.39 The maximum number of EL that can be accumulated and encashed has substantially increased by 120 days in the last 3 decades. Consequently, no rationale for raising this limit any further exists. However, it is not appropriate to deduct the number of EL encashed while in service from EL encashable at the time of leaving the service because the latter acts as a means for providing adequate resources to the retiring employee to meet the commitments at the start of the retired life. **The Commission recommends that while no change may be made in the maximum number of EL that can be accumulated and encashed, whether in service or at the time of retirement/leaving the Government, however, the number of EL encashed while in service should be excluded from the overall ceiling of encashment of 300 days EL allowed at the time of retirement.**

5.1.40 The present formula for making up the shortfall in the maximum amount of Earned Leave encashable at the time of retirement through encashment of Half Pay Leave (HPL) does not give any benefit. This is unjustified especially when leave salary equal to half the amount of leave salary on Earned Leave is payable during Half Pay Leave and the period spent on this leave is counted as qualifying service for purposes of pension. **The Commission, therefore, recommends that both Earned Leave and Half Pay Leave should be considered for encashment of leave subject to the overall limit of 300 days. The provisions relating to encashment of Earned Leave shall continue unchanged. Half Pay Leave will be encashable at the rate equal to half the amount of leave salary payable during Earned Leave without any reduction being made on account of pension payable. To make up the shortfall in Earned Leave, no commutation of Half Pay Leave shall be permissible.**

Family pension - analysis of changes made in the past and recommendations

5.1.41 Consequent to the recommendations made by the earlier Central Pay Commissions, the rates of family pension have been increased from 12% to 30% of the last pay drawn for all. Eligibility conditions have been relaxed and unmarried/divorced daughters made eligible for family pension without any age limit. Conditions for payment of family pension at enhanced rates have also been liberalized so that it is now payable for a period of 7 years.

5.1.42 **Substantial liberalization having already been effected in rules governing payment of family pension, large scale changes are not required at this stage. The Commission also finds no merit in the suggested increase to 28 years for payment**

of family pension to the sons of deceased employees. The limit of 25 years in respect of unmarried daughters has already been removed and no further changes are, therefore, required in this regard. Any further extension in the present period of 7 years for grant of enhanced family pension is also not necessary. However, a special dispensation is justified for those dying in harness. **The Commission, accordingly, recommends that in case of Government employees dying in harness, family pension may be paid at enhanced rates for a period of 10 years. The dependency criteria for all purposes should be the minimum family pension along with dearness relief thereon. This should also be followed in cases relating to payment of family pension as well.**

5.1.43 In accordance with recommendations for paying higher quantum of pension to very old pensioners, quantum of family pension payable to similarly old family pensioners would also need to be increased. **The Commission, accordingly, recommends that quantum of pension available to the family pensioners should also be increased on par with that recommended for pensioners as under:-**

On attaining age of	Additional quantum of family pension
80 years	- 20% of basic family pension
85 years	- 30% of basic family pension
90 years	- 40% of basic family pension
95 years	- 50% of basic family pension
100 years	- 100% of basic family pension

*CCS
(Extraordinary)
Pension Rules,
1939 - analysis &
recommendations*

5.1.44 The Commission notes that the provisions on extraordinary family pension have been liberalized substantially by the Fifth CPC. The present provisions, therefore, are adequate and no further large scale changes are necessary in so far these rules are concerned. However, in the case of disability pension, for 100% disability where the individual is completely dependent on somebody else for day to day functions, no Constant Attendant Allowance is available under the CCS (Extraordinary) Pension Rules, 1939. The Commission notes that such Constant Attendant Allowance is available in the Defence Forces. A similar allowance needs to be extended in respect of civilian retirees as well because their requirement would be similar. **The Commission, accordingly, recommends introduction of a constant attendant allowance, on the lines existing in Defence Forces under the CCS (Extraordinary) Pension Rules, 1939 as well.**

Recommendations relating to exgratia

5.1.45 As mentioned earlier, exgratia is payable over and above the pension rules to families of Central Government employees who die in harness in the course of performance of their bonafide official duties. The existing categorization of exgratia payable is quite adequate. The Commission, however, notes that the troops employed in the high altitude and inaccessible border areas not only have to battle the enemy but also the elements. Any death while on duty in such specific border posts, whether during action against enemy or otherwise on account of natural disasters, extreme weather conditions, etc. needs to be treated on the same footing and be made eligible for payment of exgratia at the higher rates. The rates of exgratia also need to be revised upwards so as to provide sufficient financial assistance to the families of the deceased employees who die in performance of their bonafide official duties. **The Commission, accordingly, recommends that the rates of exgratia may be doubled and raised to Rs.10 lakhs in cases of death occurring due to accidents in the course of performance of duty whether attributable to acts of violence by terrorists, anti-social elements etc. or otherwise and to Rs.15 lakhs in cases of death occurring due to enemy action in international war or border skirmishes or action against militants, terrorists, extremists in the border posts or on account of natural disasters, extreme weather conditions while on duty in the specified high altitude, inaccessible border posts, etc.**

Past pensioners - analysis of changes made in the past and recommendations

5.1.46 The main demands of past pensioners related to grant of one rank one pension both for civilian as well as Defence Forces retirees and better medical facilities. In case of Defence Forces, the issue of one rank one pension was conceded partially when one time increase was granted to Defence Forces pensioners in 1992 that reduced the gap between past & present pensioners in Forces. The Fifth CPC extended full parity between pre & post 1/1/1986 pensioners and a modified parity between pre & post 1/1/1996 pensioners. In modified parity, it was provided that pension could, in no case, be less than 50% of the minimum of the corresponding Fifth CPC revised pay scale from which the pensioner had retired.

Fitment benefit to the past pensioners

5.1.47 The Commission notes that modified parity has already been conceded between pre and post 1/1/1996 pensioners. Further, full neutralization of price rise on or after 1/1/1996 has also been extended to all the pensioners. Accordingly, no further changes in the extant rules are necessary. However, in order to maintain the existing modified parity between present and future retirees, it will be necessary to allow the same fitment benefit as is being recommended for the existing Government employees. **The Commission, accordingly, recommends that all past pensioners should be allowed fitment benefit equal to 40% of the pension excluding the effect of merger of 50% dearness allowance/**

dearness relief as pension (in respect of pensioners retiring on or after 1/4/2004) and dearness pension (for other pensioners) respectively. The increase will be allowed by subsuming the effect of conversion of 50% of dearness relief/ dearness allowance as dearness pension/dearness pay. Consequently, dearness relief at the rate of 74% on pension (excluding the effect of merger) has been taken for the purposes of computing revised pension as on 1/1/2006. This is consistent with the fitment benefit being allowed in case of the existing employees. A table (Annex 5.1.1) showing fixation of the pension of the existing pensioners in the revised dispensation consequent to implementation of the recommendations of this Commission has been prepared and should be used for fixing the revised pension of the existing pensioners. **The fixation as per this table will be subject to the provision that the revised pension, in no case, shall be lower than fifty percent of the sum of the minimum of the pay in the pay band and the grade pay thereon corresponding to the pre-revised pay scale from which the pensioner had retired. To this extent, a change would need to be allowed from the fitment shown in the fitment table.**

Medical care for pensioners

5.1.48 As regards improved medical care for pensioners, the Commission was informed that the Government is in the process of introducing a new scheme providing medical insurance to the pensioners. This scheme would have adequately addressed the indoor medical treatment needs of the pensioners. However, it was not operationalised till the time of finalization of this Report. The Commission has, accordingly, addressed the issue in the chapter on Medical facilities in this Report. Insofar as day to day expenditure on medicines and consultation for OPD treatment of the pensioners is concerned, the Fifth CPC had recommended a fixed medical allowance of Rs.100 per month for meeting the expenditure on day to day medical expenses of the pensioners residing in an area not covered by CGHS. The Fifth CPC had also recommended extension of CS (MA) Rules, 1944 to the pensioners in a restricted manner. The Government accepted the recommendation regarding payment of the fixed medical allowance but did not extend CS (MA) Rules, 1944 to the pensioners.

Medical Allowance for pensioners

5.1.49 The Commission notes that under CS (MA) Rules, 1944, the employees have to make the payments and then claim reimbursement from the Government. This procedure may pose problems to the retirees in claiming reimbursements. Accordingly, the Commission does not recommend extension of CS (MA) Rules, 1944 to the pensioners. In Chapter 4.11, recommendations have been made for providing OPD facilities to the pensioners living in non-CGHS areas.

CPF/SRPF Optees 5.1.50 Many demands have been made seeking another option for the CPF/SRPF beneficiaries to switch over to the pension scheme. It is seen that the Fifth Central Pay Commission had examined the issue minutely and concluded that an option having been given to the SRPF retirees to switch over to the pension scheme as many as 12 times, no case existed to argue that they were not given a reasonable opportunity to do so. It is also noted that in the last option, all those who had not specifically opted to be governed by the SRPF scheme were automatically brought over to the pension scheme. Hence, no case would appear to exist for giving another option to these ex-employees. The Fifth CPC had recommended payment of exgratia at a flat rate of Rs.600 per month as a measure of adopting a sympathetic and humanitarian approach for such of those CPF/SRPF beneficiaries as had superannuated from the Government. The rates of the exgratia have been further revised by the concerned Ministries. Dearness Relief at prescribed rates is also payable on the exgratia which, therefore, is inflation proof. **Accordingly, no further change in the existing scheme of payment of exgratia to CPF/SRPF optees is required. The existing scheme may, therefore, continue in their case.**

Instances where the extant rules are discriminatory against women 5.1.51 Dependent sons/daughters are allowed to avail medical facilities under CS (MA) Rules and CGHS Rules. In case of sons the eligibility is till the time he starts earning or he attains the age of 25 years, whichever is earlier. In case of daughters it is till the time they start earning or get married, whichever is earlier. Consequently, whereas a dependent boy below 25 years of age will continue to be eligible for medical facilities even after marriage till the time he attains the age of 25 years or becomes independent, a dependent girl below 25 years will lose this facility the moment she gets married. **It may be judicious to amend the rule so that the discrimination against women is rectified.**

Medical facility to dependent daughters 5.1.52 Ministry of Health vide O.M. No.4-24/96-C&P/CGHS (P) dated 17th September, 1999 has conveyed to all Ministries/Departments of the Government the directions given by the High Court of Delhi as per which the medical facilities will continue to be available to sons who are dependent on the Government employees/pensioner irrespective of their age. The aforesaid order of Ministry of Health directs all Ministries/Departments of Government of India to comply with the aforesaid directions of the High Court. Significantly, the O.M. does not stipulate that a similar benefit should be extended to the daughters as well. The Commission had discussed this issue with the Department of Women & Child Development who were of the

view that a similar benefit needed to be extended to the similarly placed daughters as well. The Commission finds considerable merit in the point of view conveyed by the Department. **It is, accordingly, recommended that on par with the facility extended to the dependent sons, the medical facilities should be continued in respect of dependent daughters irrespective of their age.** Presently, definition of family of Government employee for various purposes includes widowed/divorced daughters but does not include their minor and dependent children. The Commission has received several references seeking extension of the benefit of medical facilities to the minor and dependent children of widowed/divorced daughters on the ground that absence of such facility places an unreasonable burden on this category. This demand is justified. **It is, accordingly, recommended that for the purposes of medical facilities, the definition of the family should be expanded to include the minor and dependent children of widowed/divorced daughters.**

Eligibility for family pension

5.1.53 For purposes of nomination for eligibility to get family pension etc., the term 'Family' is divided into two categories with the relations mentioned in first category having precedence over relations mentioned in the second category. The first category includes sons and unmarried daughters. However, widowed daughters have been placed in the second category. This is discriminatory towards the widowed daughters especially as sons, whether married/unmarried/widowers/divorced have been placed in the first category. **The Commission, accordingly, recommends that for purposes of eligibility for Family Pension and other related benefits, the widowed daughters should also be placed in the first category.**

Eligibility for encashment of leave

45.1.54 The issue regarding payment of encashment of leave to a person dying in harness, the amount is payable in the following precedence:

1. widow or the eldest surviving widow (with reference to the date of marriage) or husband;
2. the eldest surviving son or an adopted son;
3. the eldest surviving unmarried daughter;
4. the eldest surviving widowed daughter;
5. the father.
6. the mother;
7. the eldest surviving brother below the age of 18 years;
8. the eldest surviving unmarried sister;
9. the eldest surviving widowed sister;
10. the eldest surviving married daughter; and
11. the eldest child of the eldest predeceased son.

The amount is payable to a member only if member of the preceding category is not available. The table reveals that status of a married daughters slips to serial number 10 whereas in case of son, the serial number remains two irrespective of his marital status. This is patently unfair to the married daughter as she has been placed below certain categories of siblings of the deceased employee. Some adjustment is, therefore, needed in this case. **The Commission recommends that for purposes of payment of encashment of leave to a person dying in harness, the amount should be paid to the relations as per the following order:-**

1. widow or the eldest surviving widow (with reference to the date of marriage) or husband;
2. the eldest surviving son or an adopted son;
3. the eldest surviving unmarried daughter;
4. the eldest surviving widowed daughter;
5. the father.
6. the mother;
7. the eldest surviving married daughter;
8. the eldest surviving brother below the age of 18 years;
9. the eldest surviving unmarried sister;
10. the eldest surviving widowed sister; and
11. the eldest child of the eldest predeceased son.

Family Pension

5.1.55 Family pension is presently payable to widowed/divorced daughters till the time they get remarried or start earning more than Rs.2550 per month. Same is the case with the widow of a deceased Government employee who either does not have any children from the deceased employee or is not looking after such children. These widows are also paid family pension till the time they get remarried or die. The Commission has received many representations seeking continued family pension for such widows. The Defence Forces also made a strong pitch for this benefit. The Commission is of the view that stopping family pension on remarriage places an impediment in the remarriage of the widows. The position, therefore, needs to be rectified. **The Commission, accordingly, recommends that the childless widow of a deceased Government employee should continue to be paid family pension even after her remarriage subject to the condition that the family pension shall cease once her independent income from all sources becomes equal to or higher than the minimum prescribed family pension in the Central Government .**

Pensionary benefits of Defence Forces Personnel

Retiring Pension for Commissioned Officers

5.1.56 Pension of Commissioned Officers is fixed on the basis of average emoluments drawn during last 10 months. Pension is paid at the rate of 50% of the average emoluments. Minimum qualifying period of service is 20 years and full pension is payable on completion of 33 years of qualifying service. These rules are identical to those prevailing in case of civilians. Higher weightage of 3 to 9 years (civilians are allowed weightage of upto 5 years) is given to officers to compensate for truncated career. Weightage is given to the extent the prescribed age of superannuation for the post falls short of 60 years. Defence Forces have proposed that officers should be paid pension at the rate of 50% of the maximum of the scale attached to the rank from which they retire. The Commission has recommended payment of pension at the rate of 50% of the last pay drawn or the average emoluments, whichever is higher, irrespective of the number of qualifying years of service completed (subject to completion of 20 years of qualifying service). All reference to full pension being payable only on completion of 33 years of qualifying service are proposed to be removed. **No justification, therefore, remains for allowing any weightage. Further, in the scheme of running pay bands and grade pay, the pension cannot be paid at the maximum pay attached to the post. The Commission recommends accordingly.**

Commutation of pension

5.1.57 Commissioned Officers are allowed commutation of pension to the extent of 43%. The Fifth CPC, while increasing the amount of pension available for commutation in case of civilians from 33% to 40%, maintained the percentage for Commissioned Officers at 43%. The Defence Forces have desired that this amount be increased to 50%. The demand is justified. **The Commission, accordingly, recommends that maximum allowable commutation of pension in case of Commissioned Officers should be increased to 50%. Similar dispensation should also be extended in case of PBORs who are presently allowed to commute 45% of their pension.** Presently, commuted pension is restored on completion of 15 years as in the case of civilians. Defence Forces have proposed that the period of restoration should be reduced to 12 years. Similar demand was made by many civilian employees/associations but the same has not been found acceptable as the commuted value computed with reference to the extant commutation table was not fully recoverable even after a period of 15 years. A revised commutation table is being proposed which is also based on the premise that commuted portion of pension would be restored after a period of 15 years **The period of 15 years may, therefore, need to be retained for civilians as well as the Defence Forces.**

One Rank One Pension

5.1.58 One Rank One Pension has been demanded for all ex-servicemen. The Fifth CPC had already granted full parity between pre and post 1/1/1986 pensioners and a modified parity between pre and post 1/1/1996 pensioners. Identical dispensation was given to the civilian employees as well as Defence Forces personnel. No change is proposed in the existing dispensation either in case of civilians or Defence Forces. **Hence, extant provisions may continue.**

Qualifying service for getting second pension

5.1.59 Presently, qualifying service for receiving second pension in case of ex-servicemen employed in Defence Security Corps (DSC) is 15 years. A demand has been made to reduce this period to 10 years. The Commission is recommending lateral movement of Defence Forces personnel to CPMFs/defence civilian organizations, including DSC, which will ensure a long tenure for these personnel. Further, with removal of any linkage of payment of full pension with qualifying service of 33 years, the necessity of liberalizing provisions for second pension may not really exist. **No further liberalization is, therefore, necessary in this regard.**

Retiring Pension for PBORs

5.1.60 Pension is payable at the rate of 50% of the reckonable emoluments. Full pension is payable on completion of 33 years of qualifying service. Since, PBORs have truncated careers, in their case; the reckonable emoluments are taken as maximum of the pay scale attached to the rank including 50% of the classification pay. Pension is payable after minimum qualifying service of 15 years. Weightage of 5 to 10 years is allowed. The Defence Forces have made following proposals in respect of PBORs pension:-

- Pension to be paid at the rate of 75% of the maximum of the scale in case of PBORs retiring upto age of 55 years and at the rate of 50% for those retiring after the age of 55 years.
- Whole of classification pay to be included for computing pension.

Existing weightage have been demanded to be enhanced as under:-

Rank in army/ equivalent ranks in other services	Present Weightage (Years)	Weightage Demanded (Years)
Sepoy	10	14
Naik	8	11
Havaldar	6	9
Naib Subedar	5	8
Subedar	5	8
Subjedar Major	5	8

5.1.61 The Commission has recommended payment of pension at the rate of 50% of the emoluments irrespective of whether 33 years of service has been completed or not. While the pension in case of PBORs should continue to be paid on completion of qualifying service of 15 years, no rationale would continue to exist for paying their pension with reference to maximum of the pay scale or of giving them any additional weightage. In any case, in the revised scheme of running pay bands, fixing a maximum pay for any particular rank is not possible. Further, with lateral movement of Defence Forces personnel to CPMFs etc., additional weightage is not really necessary. The benefit being recommended for civilians that the pension would be based either on the pay last drawn or the average emoluments for last 10 months, whichever is more beneficial, would, however, need to be extended to the Defence Personnel as well. **The Commission, accordingly, recommends that the pension of PBORs on completion of 15 years or more of reckonable service should be computed at the rate of 50% of the pay last drawn or the average emoluments, whichever is more beneficial, without any additional weightage being allowed. Military Service Pay would be counted for pension. Whole of classification pay may also be included for purposes of computing pension. This recommendation will take effect retrospectively from 1/1/2006 because the running pay bands shall take effect from this date. Therefore, the maximum of a pay scale will cease to have any relevance from this date. Consequently, the recommendation will need to be made effective for PBORs from 1/1/2006.** The following table reveals that the pension payable even to the PBORs who retire only after 15 years of service would also increase substantially under the revised dispensation now being proposed:-

(Rs.per month)

Post	Pension as per existing rules * (basic pension + DP + DR +)	Minimum Revised Pension	Increase
X Group			
Sepoy	3319	5335	2016
Naik	3319	5620	2301
Havaldar	3380	6215	2835
Nb. Sub	4673	8320	3647
Subedar	5518	9375	3857
Sub. Major	5665	9910	4245

Post	Pension as per existing rules * (basic pension + DP + DR)	Minimum Revised Pension	Increase
Y Group			
Sepoy	3083	4330	1247
Naik	3096	4680	1584
Havaldar	3096	5035	1939
Nb. Sub	4588	7490	2902
Subedar	5254	8545	3291
Sub. Major	5383	8775	3392

* As on 1.1.2006 for a PBOR retiring after 15 years of service.

The actual benefit for PBORs with more than 15 years of service will be higher.

*Pension for
Honorary Ranks*

5.1.62 Presently, Havaldars on getting the rank of Honorary Naib Subedar are given an additional pension of Rs.100. As against this, JCOs after becoming Honorary Officers get pension as per the existing formula on the basis of pay attached to the post of Honorary Officer. Defence Forces have proposed that the pension of Honorary Naib Subedars may also be fixed, accordingly, on the basis of pay attached to the rank. The proposal is inherent in the revised scheme of pay bands being proposed. A Havaldar, on promotion as Honorary Naib Subedar will be eligible for pension with reference to the salary drawn/drawable in the rank of Naib Subedar. Further, pension is now payable with reference to either 10 months average emoluments or the last pay drawn, whichever is beneficial. **In light of these changes being recommended, pension for all Honorary ranks of Naib Subedar will henceforth be payable by taking this placement as a regular promotion to the higher grade wherein benefit of fitment in the pay band and the higher grade pay will be taken into account for purposes of fixation of pension.**

*Family Pension-
Existing position*

5.1.63 Family pension is payable to family or dependents upon death of a servicemen whether in service or after retirement. Ordinary Family Pension at the rate of 30% of last pay drawn is payable in cases of death due to causes neither attributable to nor aggravated by military service. Ordinary Family Pension is admissible at enhanced rate of 50% for duration of 7 years after death or till 67 years of age, whichever is earlier. Enhanced rate cannot, however, exceed service pension or notional service pension of the deceased. Widowed daughters are authorized

Ordinary Family Pension for life whereas unmarried daughters are allowed Ordinary Family Pension till the age of 25 years.

Proposals regarding Ordinary Family Pension

5.1.64 Defence Forces have made following suggestions regarding ordinary family pension :-

- Rate of Family Pension payable to widow should be increased to 40% of the maximum of the scale till the time the deceased employee would have attained the age of 60 years. Thereafter it may be paid at 30% as at present.
- Duration of enhanced rate of family pension should be increased to 15 years.
- Stipulation limiting enhanced rate of ordinary family pension to service pension be removed.
- Family pension to widows should be continued even after their re-marriage. If she abandons her children, the pension should pass on to the children collectively.
- Ordinary family pension should be paid to unmarried daughters for life.
- Families of persons drawing two pensions should be authorized to draw 2 family pensions.
- Families of those dying during trials of indigenous developed weapon systems and ammunition should be authorized liberalized family pension.

Analysis of proposals on Ordinary Family Pension

5.1.65 Provisions regarding Ordinary Family Pension are same for civilians and Defence Forces personnel. The Commission has recommended that in case of Government employees dying in harness, family pension shall be paid at enhanced rates for a period of 10 years. **This will equally apply in case of Defence Forces personnel dying in harness.** As regards the stipulation that enhanced rate of Ordinary Family Pension should not exceed service pension, the same affects such of those PBORs who die after putting in short span of service. **This will cease to be of relevance in the proposed dispensation as per which pension will be payable at 50% of the reckonable emoluments irrespective of the number of qualifying years of service put in.** No justification remains for limiting family pension to unmarried daughters till the age of 25 years when widowed daughters are allowed family pension for life. Similar dispensation, therefore, needs to be extended in case of unmarried/divorced daughters. **The Commission, accordingly, recommends that unmarried daughters should also be allowed family pension for life.** Payment of family pension to widows on re-marriage was considered by Fifth CPC who recommended continuance of Ordinary Family Pension on re-marriage whenever the widow decided to look after the children. Defence Forces have proposed this dispensation. Extant rules already provide for this. No

further recommendation is necessary on this account. Defence Forces proposal for payment of liberalized Family Pension to those dying during trials of indigenously developed weapon system and ammunition is justified as at the time of initial trial, the efficacy and safety of the weapon is not known and the risk to life is higher. **The Commission recommends that liberalized family pension should also be paid to the families of military personnel dying during trials of indigenously developed weapon system and ammunition.**

Disability Pensionary awards

5.1.66 Disability pensionary awards include:-

- Disability Pension
- Invalid Gratuity &
- War Injury Pension

Disability Pension - Disability Pension is given to Defence Forces personnel who leaves service on account of disability attributable to or aggravated by military service. The basic scheme is similar to that for civilians; however disability element for service personnel is paid at flat rates unlike in case of civilians who are granted disability element as a percentage of pay equal to admissible family pension. Defence Forces personnel in receipt of Disability Pension for 100% disability are also given Constant Attendance Allowance. As per recommendations of Fifth CPC, this allowance is payable at the rate of Rs.600 p.m.

Invalid Gratuity - Invalid Gratuity is paid at the rate of half month's emoluments for every six months of service. It is payable in addition to DCRG.

War Injury Pension - War Injury Pension is payable for injury sustained during notified operations. The War Injury Pension is payable on the basis of reckonable emoluments last drawn and is equal to reckonable emoluments last drawn for 100% disability and is proportionately reduced for lesser disability subject to the prescribed minimum.

Disability Pension awards - demands

5.1.67 Following proposals made by the Defence Forces regarding disability pension awards:-

- Defence personnel should also be paid disability component of Disability Pension on percentage basis at the rate of 30% of basic pay subject to a minimum of Rs.1550 p.m. In case of disability due to injury in war/war like situations, it should be paid at the rate of 60% of the last pay drawn subject to a minimum of Rs.3100 p.m.

- No qualifying service should be prescribed for grant of Disability Pension due to causes neither attributable nor aggravated by service conditions.
- In all attributable cases, disability component should be paid for disabilities below 20% (presently it is not paid for disabilities below 20%).
- Rate of Constant Attendance Allowance should be raised to the minimum wage applicable to a Group D employee of Central Government so as to provide disabled soldiers enough means to hire an attendant.
- Removal of the bar on payment of disability pension who are initially retained in service but subsequently seek voluntary retirement.

Disability Pension awards - Analysis

5.1.68 The demand that disability element should be calculated as a percentage of pay is justified especially as in the case of civilians also; disability element is computed as a percentage of pay (30%). **The Commission, accordingly, recommends that disability element for purposes of disability pension in case of Defence Forces personnel should be computed at the rate of 30% of pay.** Removal of any qualifying service in NANA (Neither Attributable Nor Aggravated) cases will have repercussions in the civilian side as well. **Accordingly, the status quo may need to be maintained.** Disability of 20% or lower cannot be treated as a disability that will vitally affect the functions of a person. On these grounds, disability element is not payable for disability of 20% or lower. **The existing position is appropriate and may need to be retained.** Rates of Constant Attendant Allowance need to be increased. Generally all the allowances have been proposed to be increased by a factor of two. However, a higher Constant Attendant Allowance needs to be given. Accordingly, **the Commission recommends that existing rates of Constant Attendant Allowance may be increased by five times to Rs.3000. Further, these rates should be increased by 25% every time the dearness allowance payable on revised pay bands goes up by 50%.**

5.1.69 As regards removal of the bar on payment of disability pension to those personnel who are initially retained in service but subsequently seek voluntary retirement, it is observed that all Defence Forces personnel found to have disability other than NANA and who are retained in service despite the disability, are paid compensation in lieu of the disability element. The Fifth CPC had considered the issue and recommended continuance of this system. Accepting this proposal would mean

extending double benefits in form of the initial lump-sum payment and subsequent pension for the same disability element. **The recommendations of the Fifth CPC in this regard are justified. However, an option may be given to the concerned official in cases of disability other than NANA whereby the lump-sum compensation in lieu of disability element is foregone but disability pension at the time of retirement, whether voluntary or otherwise, is given.** This will entail a change in the extant rules which bar payment of disability pension in all cases of voluntary retirement. The Government may take necessary action in this regard.

DCRG

5.1.70 The extant rules for DCRG in the Defence Forces are identical to those existing for civilians. In the case of civilians, the limit of DCRG is proposed to be increased to Rs.10 lakh without any ceiling on the number of months (the present ceiling is Rs.3.5 lakhs and 16 ½ months salary). The Defence Forces have demanded that all ceiling should be removed and that the existing weightages for PBORs may be increased. A special dispensation cannot be made for Defence Forces in respect of the ceiling as relativities with the civilians in this regard are already well-established. Weightages for PBORs can also not be increased because the same are being removed totally for purposes of pension. Accordingly, **the Commission recommends that only the pecuniary ceiling on gratuity may be increased with the other conditions being kept unchanged.**

Ex-gratia

5.1.71 Presently, families of defence personnel who die in harness in the performance of their bonafide official duties are paid ex-gratia lump-sum payment as under:-

Death due to accidents in course of duties	Rs.5 lakh
Death in the course of duties attributable to acts of violence by terrorists etc.	Rs.5 lakh
Death occurring during enemy action in war or border skirmishes or in action against militants, terrorists, etc.	Rs.7.5 lakh
Death occurring during enemy action in international war or war like engagements specifically notified	Rs.10 lakh

Defence Forces have demanded ex-gratia of Rs.10 lakh for deaths in harness other than NANA; Rs.25 lakhs for deaths due to accidents/acts of violence; Rs.35 lakhs for deaths due to enemy

action in international war and border skirmishes and Rs.40 lakhs for deaths during operations notified by the Government. The rates of ex-gratia were last increased in August, 1999. The rates also have relativity with the civilian side as well. As a general principle, rates of various benefits and allowances revised after Fifth CPC are being doubled. The same principle needs to be applied in this case also. **The Commission, accordingly, recommends the following revised rates of ex-gratia for families of Defence Forces personnel who die in harness in the performance of their bonafide official duties:-**

Death due to accidents in course of duties	Rs.10 lakh
Death in the course of duties attributable to acts of violence by terrorists etc.	Rs.10 lakh
Death occurring during enemy action in war or border skirmishes or in action against militants, terrorists, etc.	Rs.15 lakh
Death occurring during enemy action in international war or war like engagements specifically notified	Rs.20 lakh

Funding pension liability in future

5.1.72 There has been a growing concern about the manner in which the burgeoning pension bill can be funded keeping in view the fact that the New Pension Scheme (NPS) implemented for civilian employees recruited on or after 1-1-2004 would start yielding benefits only after another three decades. A study was commissioned to Center for Economic Studies and Policy, Institute for Social and Economic Change, Bangalore (ISEC). The terms of study *inter alia* specifically included suggesting various options for meeting the future pension liability by devising suitable and self-sustaining models for financing the pension of Central Government employees recruited prior to 1.1.2004 with the final objectives that the funds so devised are able to meet substantially the entire pension liability of the Government. *The study has revealed that while the future Central Government pensionary expenditure in absolute terms would be significant, as a percentage of GDP its share is on the decline.* It was also seen that the two key factors that have had an impact on the growing pension related expenditure are the huge intake of Government employees in the initial years of the planned development of the country along with a sharp increase in the size of pay and other allowances over a period based on revisions recommended by the Pay Commissions from time to time. In recent years, there has been a considerable decline in Government employment. Consequently the number of retirees in future will also be lower with concomitant decrease in the future

growth of the pension bill. The pension bill will be further reduced once the scheme of lateral movement of defence personnel to CPMFs is implemented. In any case, the projected pension costs are not alarmingly high given the expected robust growth of the economy and the short nature of the period during which the huge payments are to persist and are expected to fall considerably after touching an all time high of 1.1% of GDP in 1999-2000. **Thus, the future pensionary liability of the pensioners and employees covered by CCS (Pension) Rules, 1973 as well as the defence forces can continue to be discharged under the existing Pay As You Go system with out much difficulty.**

Creating a partial pension fund

5.1.73 In case, however, the Government wants to create a pension fund to discharge their pension liability, the study by ISEC reveals that the net present value of the projected pension liability is Rs.3, 35,628 crore based on assumed rate of return of 8 percent. A fund of this magnitude would help the Government meet the pension payments from the returns of the fund, and help avoid earmarking resources on an annual basis for the mounting pension outgo that takes place on account of the Pay As You Go system that currently happens with each budget. Creating a fund of this magnitude may not, however, be possible in the current fiscal scenario, wherein, the Central Government is still experiencing revenue deficit. As mentioned in the study by ISEC, **the Government should, however, consider the possibility of segregating the projected pension liability into a partially funded component and partially Pay As You Go component for the employees not covered by new Pension Scheme who are still in service.** This can be done in various ways. One method, suggested in the study by ISEC, can be to bring the pension liability of all the employees who are below the age of 40 years under a kind of funded investment. The study by ISEC reveals that at eight percent rate of return, the size of annual funding required to meet the liability arising on account of all the employees aged below 40 ranges between Rs 6601 crore over a ten year period to Rs 4149 crore over a twenty five year period. Creating such a fund will allow the Government to partially defray their future pensionary liability with out impacting the present developmental activities. The interests of the employees will, in any case, be fully protected as they will continue to be eligible to draw pension as per the CCS (Pension) Rules.