

## Recommendations of 6<sup>th</sup> CPC on Pension and terminal benefits.

### Its impact on BSNL absorbed pensioners.

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The 6<sup>th</sup> CPC has given its recommendations. Among other things it has recommended replacement pay scales for the existing pay scales, fixation of pay in the revised pay scales, Increment, pension and terminal benefit and fixation of pension for existing pensioners. These are to be implemented w.e.f. 01-01-2006.

What is given by the 6<sup>th</sup> CPC is only a recommendation and it is for the Central Govt. to accept and implement it or modify and implement it or not to accept it. At this stage the write up covers the impact of the 6<sup>th</sup> CPC recommendation on (i) Central Govt. Pensioners and (ii) BSNL absorbed DoT pensioners. In each of the above two there are also sub categories based on date of retirement.

#### Salient Features of recommendations regarding Pension:

- (1) Maximum pension of 50 % of pay to continue.
- (2) The minimum service required for getting pension on voluntary retirement is now 20 years. This also continues. However the full pension i.e., 50 % of pay will be paid for the completed qualifying service of 20 years itself when a person takes VRS. Consequently there will be no addition of 5 years of service in VRS. (presently after completing 33 years service only one gets full pension i.e., 50 %. If he takes VRS earlier 5 years service weightage is added and pension is worked out on pro rata basis. i.e., a person taking VRS after 20 years will get (20+5) 25/33 of 50 % of pay as pension.)
- (3) Increased gratuity of 80 months' pay for an employee taking VRS between 15-20 years. No pension for him.

**These items (2) and item (3) are to induce VRS. However these will have prospective effect only. i.e. from the date of acceptance by Govt. and not from 01-01-2006.**

- (4) The pay for the purpose of pension calculation is the average of last 10 months pay or the last pay drawn which ever is beneficial to the official.

(Presently the pay for the purpose of pension calculation is the average of last 10 months pay. The change will benefit many employees though marginally. In the last 10 months of service a person may get a promotion or at least will get an increment. If the last pay is taken for pension calculation then it will be mostly more than average of 10 months' pay. Only in cases where either due to reversion from an officiating post or reduction of pay due to any major disciplinary

proceedings in the last 10 months the average of 10 months' pay will be higher than last pay. Either case since the clause which ever is beneficial is given it is a welcome step only.

Note for Basu:

The effect of this CPC is from JAN 2006. Your pension based on promotion policy pay fixation is 10080, for me it is 10140, for Chinnappaiah it is 10200. This is because of last 10 month's average. The last pay for all we three was 20400/-. Hence with is new formula you, me and chinnappaiah all three will get the same Rs.10200/-. So you are the maximum gainer.

- (5) The gratuity ceiling is increased to 10 lakhs. (presently it is 3.5 lakhs). All Other calculations regarding gratuity remain same. This will benefit employees of group B and Group A who cross the ceiling. However this is nothing new since every pay commission revised the gratuity ceiling. In the beginning it is like a boon. But as years roll by it vanishes and again persons in higher pay scales get fixed in the ceiling. The 5<sup>th</sup> CPC had not agreed to remove the ceiling.
- (6) The 6<sup>th</sup> CPC had recommended for revision of the commutation table. The commutation factor has been reduced. For example an employee retiring on superannuation his commutation factor is now 9.81. The CPC has recommended as 8.194. If the recommendation is accepted then the employees will get lesser amount of commutation of pension. This is a retrograde step. When the employees had been demanding reduction of the 15 years for restoration of commuted pension, the 6<sup>th</sup> CPC has not agreed for earlier restoration, but simultaneously has reduced the commutation factor. It is hoped that the staff unions take up the issue with the Govt. and try to maintain the same commutation table.
- (7) A grate bonanza of elders. Your basic pension increases as you become very very old. When you complete 80 years your basic pension will increase by 20 %, on 85 years by 30 %, 90 years by 40 % 95 years by 50 %. When you complete a century your pension is doubled.
- (8) Encashment of earned leave taken while in service will not be deducted from the maximum of 300 days allowed encashment on retirement. Further the half pay leave also can be encashed so that the total encashment of EL plus HPL is 300. (That is HPL encashment when EL at credit is less than 300 days)
- (9) Pension fitment formula same as serving employees. 40 % added to pension plus DP. Table for fixation of pension given in Annexure 5.1.1 of CPC report. The revised pension shall be subject to a minimum of 50 % of minimum of the pay of the post from which an employee has retired. (The provision of "subject to minimum" was in 5<sup>th</sup> CPC also. However with the fitment formula given by 5<sup>th</sup>

CPC for pensioners and 100 % DA neutralization for pensioners also no body will be below the minimum. 6<sup>th</sup> CPC had also noted the point but however continued the said provision in 5<sup>th</sup> CPC) .

Now the above are the salient features on Pension given in 6<sup>th</sup> CPC recommendations.

Now let us analyse the impact on BSNL absorbed DoT pensioners:

As far as BSNL absorbed pensioners the Pay and DA for the purpose of pension and terminal benefits are the IDA pay and IDA DA.

Since what is now given by 6<sup>th</sup> CPC is modifications in CDA pay scales, fixation of revised pension for past pensioners these do not have any impact on BSNL absorbed employees. The fixation of pension given in Annexure 5.1.1. does not apply to BSNL absorbed past pensioners retired upto 31-12-2005.

However, the pension and terminal benefit calculation of BSNL absorbed pensioners is based on the pension rules of the central Govt. prevailing at the time of his retirement. The date of effect of the 6<sup>th</sup> CPC is 01-01-2006. Hence the change in the Pension Rules recommended by the 6<sup>th</sup> CPC has an impact on BSNL pensioners retired on or after 01-01-2006. It has also impact on serving absorbed BSNL employees since their pension and terminal benefit will be calculated as per the Central Govt. Pension rules when they retire. (Of course if the recommendations of the 6<sup>th</sup> CPC is accepted by Govt.)

Now BSNL absorbed employees are categorized in 3 categories for this .

- (A) Those Retired prior to 01-01-2006 i.e., upto 31-12-2005.
- (B) Those Retired from 01-01-2006 to till date of acceptance by Govt. and issue gazette notification.
- (C) Employees who are in service impact on their pension when they retire.

**(A) Past pensioners :Those Retired prior to 01-01-2006 i.e., upto 31-12-2005.**

Since the date of effect of 6<sup>th</sup> CPC is from 01-01-2006 the change in Pension Rules recommended by 6<sup>th</sup> CPC do not have any impact on the pension being received by the past pensioners of BSNL absorbed and retired upto 31-12-2005. They are also not covered by the fixation formula for pension and the table in Annexure 5.1.1. since it is based on CDA pension and 74 % CDA DA. These persons will get benefit of pension fixation as and when given by 2<sup>nd</sup> wage revision committee of CPSUs.

Only Point No.(7) increased pension after age of 80 and above is applicable.

**Those Retired from 01-01-2006 to till date (of acceptance by Govt. and issue gazette notification.)**

The Pension and terminal benefit received by them will be revised as per the new rules.

However in case of VRS employees the point (2) and (3) above regarding full pension for 20 years of service and 80 months' pay as gratuity for 15-20 years service taking VRS will apply prospectively only.

Point (4). This will benefit most of the employees. The last pay being marginally higher than average of last 10 months' pay, their gross pension will increase marginally. Consequently they may commute, if they so desire, 40 % of the increased pension. Of course this amount will be a very small amount of just a few thousands or even less. Again the reduced commutation factor will be worked out for this commutation of the additional pension. (Original commuted pension already received will not be revised or recovered due to the reduced value of commutation factor)

Point No.(5) gratuity ceiling being increased to 10 lakhs will benefit the employees who got their gratuity restricted to earlier maximum of 3.5 lakhs. Their last pay+DA multiplied by 16.5 (For 33 years of service and above) will be given after adjusting the 3.5 lakhs already paid. That is those whose pay plus DA was above Rs.21212/- at the time of their retirement will now stand to gain.

Point No.(6) the reduction in the commutation factor will not affect them since they had already received their commuted value of pension. However if they intend to commute the increased pension due to point (4) that alone will be worked out on the reduced commutation factor. To that small extent they lose. A small loss in a small gain.

Point No.(7) will benefit you if you live long. I pray the almighty that you all complete a century and get double pension.

Point No.(8) is applicable. If you had less E/L at credit and the E/L encashment received by you was less than 300 days then you can encash HPL to the extent the total encashment of E/L plus HPL is 300 days.

Point No.(9) is not applicable to any BSNL absorbed employee.

### **Employees in Service .:**

#### **The impact of the 6<sup>th</sup> CPC recommendation on pension when they retire.**

Point No.(1) Maximum pension 50 % is already there.

Point No.(2) and (3) Allowing full pension for 20 years of service, and 80 months salary as gratuity for VRS in 15-20 years of service will be applicable for unabsorbed employees only. These have been given to induce VRS in Govt. service. This is not applicable to PSU unless the PSUs also propose a similar thing and get approval of DoT , DPE and DoP.

Point No.(4), (5), (6) (7) and (8) applicable.

(4) and (5) are beneficial. (4) will benefit most of the employees. (5) will benefit persons in high pay scales. (6) will reduce your commutation value of pension hence retrogressive.

Point No.(7) will benefit you if you live long.

Point No.(8) is applicable. If you have less than 300 days of E/L at credit at the time of your retirement then you can encash HPL to the extent the total encashment of E/L plus HPL is 300 days. Also any encashment of E/L received by you (upto 60 days while availing LTC) will not be reduced from the 300 days of encashment allowed to you when you retire.

Point No.(9) is not applicable to any BSNL absorbed employee.

### **Central Govt.pensioners:**

Of course I will add a few more lines for the benefit of the handful persons who have not taken absorption or other Central Govt. past pensioners and serving employees.

Reducing the commutation factor is a retrograde step. When the employees had been demanding early restoration of the commuted pension, the 6<sup>th</sup> CPC having worked out on the interest had reduced the commutation factor. When the Govt. is not paying its employees equal to those in PSUs or private, it could as well treat the commutation amount given as interest free and restore it in 10 years. At least it could have given a subsidy in interest. Instead it has worked out on a market interest of 8 %. (The earlier table was on interest rate of 4.75 %.) For an employee who have served the Govt. through out his life commutes his pension only to meet his social, family obligation towards the marriage of his children etc., To charge an interest at market rates for the same is not thinkable. I hope that the Unions take up the same and get this recommendation not accepted by Govt.

The 6<sup>th</sup> CPC had not accepted to remove the ceiling of DCRG. The increased ceiling of 10 lakhs now is sizable that even SAG level will get full amount to day. But in course of time within the next ten years when DA increases many will be affected by the ceiling. A mechanism must be arrived for automatically increasing the gratuity ceiling with 50 % increase in DA.

40 % is added to the pension+DP as revised pension. However since the DA of 24 % not being taken into account the real increase is only 24 %. The CPC report states that the fitment formula given for past pensioners is the same i.e., 40 % as for serving employees. But in reality the increase is only 24 % of basic pension for past pensioners whereas for the serving employees the increase is 28 %. However the difference is marginal.

The increase in pension for age old pensioners is really superb. Though those pensioners living beyond 80 may be far less percentage yet the fact that their concern has been taken care of is really good.

Calculating pension on the last pay drawn or the average of last 10months'average pay which ever is higher is an age old demand. It is really good that the 6<sup>th</sup> CPC has recommended the same. Though the increase in pension is going to be marginal only it is a welcome step.

Granting full pension for 20 years of service and granting 80months'pay as gratuity for those taking VRS between 15-20 years will induce VRS. Of course this will be actually taken only by those who could get better employment opportunities. In reality it may be highly skilled or highly qualified personnel. Naturally they may be the cream in each cadre. So this will only in the long run make the cream in each cadre take VRS. In the long run this may affect Govt. department functioning also.

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