

F. No. W-02/0017/2014-DPE-(WC)- GL-~~81~~/14
Government of India
Ministry of Heavy Industries & Public Enterprises
Department of Public Enterprises

Public Enterprises Bhawan
Block No.14, CGO Complex, Lodi Road
New Delhi, the 21st May, 2014

OFFICE MEMORANDUM

Subject:- Clarifications regarding Introduction of Pension Scheme and Post Superannuation Medical Benefits in CPSEs

The undersigned is directed to refer to this Department OM No. 2(70)/08-DPE (WC) dated 26.11.2008 and 2(70)/08-DPE (WC) dated 2.4.2009 regarding pay revision of executives and non-unionized supervisors of CPSEs w.e.f. 1.1.2007 which inter-alia provides guidelines regarding Superannuation benefits including Pension and Post Superannuation Medical Benefit Scheme of the CPSEs. DPE has been receiving certain queries in this regard. The following clarifications may be kept in mind while finalizing the Pension and Post Superannuation Medical Benefit Scheme of the CPSEs:-

- i) The condition of 30% of Basic Pay + DA for superannuation benefits as prescribed in DPE O.Ms. dated 26.11.2008 and 02.04.2009 and as amended from time to time, are to be followed strictly.
- ii) These schemes (pension and post-superannuation medical benefits) would be subject to the factors like affordability, capacity to pay and sustainability of the CPSE.
- iii) Government budgetary support would not be provided to operate these Schemes.
- iv) It is to be ensured that by implementing the 2007 pay revision, which would include these two schemes, the dip in Profit Before Tax (PBT) for the year 2007-08 should not exceed 20% in respect of executives & non-unionized supervisors of CPSE.
- v) Since the effective date of 2007 pay revision in CPSE is 01.01.2007, the proposed scheme(s) may be introduced w.e.f. 01.01.2007 or a subsequent date for the regular employees who were on the rolls of CPSE as on that date and for the employees recruited thereafter. If a regular employee does not want to contribute to the proposed scheme, he/she should have an option.
- vi) Contribution of CPSE to these schemes is limited to such extent that the contribution to the total superannuation benefits which include PF and Gratuity also is limited to 30% of Basic pay plus DA. This may be reviewed every year based on the profitability/affordability of the CPSE. Contribution every year by CPSE should not be guaranteed for these two schemes.

- vii) An employee should have put in a minimum of 15 years service rendered in continuity in CPSE(s) at the time of superannuation, and benefits would be allowed by a CPSE from where the incumbent has superannuated.
- viii) The services rendered in the Government prior to joining CPSE would not count for the purpose of computation of total service in a CPSE required for availing the benefits of this scheme.
- ix) As regards Board level executives, who are contractual appointees, they too can enjoy the benefits under these schemes provided their total period of service rendered in continuity in CPSE(s) including the period at Board level in a CPSE is not less than 15 years, at the time of superannuation.
- x) In the event of any employee resigning from the services of CPSE and joining another CPSE having broadly similar schemes, the entire amount of employer's and employee's contribution along with interest accrued thereon can be transferred to such CPSE. However, employees who resign from CPSE to join another CPSE, not having similar schemes, or any organization not being a CPSE (irrespective of whether such scheme exists in that organization), shall not be allowed the benefit of transferring their accumulated fund under these schemes. However, the employee's contribution along with accrued interests shall be refundable to the employee.
- xi) Benefits of the schemes should not be extended to employees posted on deputation to CPSE from Central/State Government.
- xii) In case a regular member of the scheme dies/becomes permanently disabled & incapacitated, leading to cessation of his/her service, before putting in 15 years of service in a CPSE prior to superannuation, he/she may be given the benefits as admissible under these schemes.
- xiii) Cases of VRS/VSS for which specific scheme have been framed would be examined in terms of such specific schemes of VRS/VSS of the Government applicable in respect of employees of CPSEs. Benefits under these schemes would not accrue to VRS/VSS optees automatically.
- xiv) At the time of superannuation, an employee may opt for Annuities from any of the designated Annuity Saving Service Providers to provide the pension and/or post retiral medical benefits.
- xv) The admissibility of benefits under these schemes to the employees against whom disciplinary proceedings are pending at the time of superannuation is to be regulated as per the Conduct, Discipline & Appeal Rules of the CPSE.
- xvi) In cases of resignation (excluding resignation covered under 'technical formality clause') and compulsory retirement, removal, dismissal because of disciplinary proceedings, the annuity would be based only on member's contributions, if any, and interest thereon.

- xvii) DPE O.Ms. dated 08.07.2009 and 20.07.2011 relate to the creation of a Corpus for the CPSE employees who retired before 01.01.2007. There is, thus, no link between pension and post-superannuation medical benefit schemes and the corpus mentioned in O.Ms. dated 08.07.2009 and 20.07.2011.
- xviii) These schemes will be under a "defined contribution scheme" and not under a "defined benefit scheme". Subject to the contribution made by the CPSE within the prescribed ceiling, and based on affordability, the benefit to the individual executive would be determined based on the accumulated amount.
- xix) There should be no provision of 'commutation', since provision of pension in 2007 pay revision guidelines was introduced so that employees have a social security and would get a substantial monthly pension after superannuation.


(Samsul Haque)
Under Secretary

To

All administrative Ministries/Departments of the Government of India.

Copy to:

1. The Chief Executives of Central Public Sector Enterprises.
2. Financial Advisers in the Administrative Ministries.
3. Department of Expenditure, E-II Branch, North Block, New Delhi.
4. The Comptroller & Auditor General of India, 9 Dean Dayal Upadhyay Marg, New Delhi.
5. NIC, DPE with the request to upload this OM on to the DPE website.