

Government of India have introduced a new Defined Contribution Pension Scheme replacing the existing system of Defined Benefit Pension System vide Government of India, Ministry of Finance, Dept. of Economic Affairs Notification dated 22nd December, 2003 (copy enclosed). The New Pension Scheme comes into operation with effect from 01.01.2004 and is applicable to all new entrants to Central Govt. service, except to Armed Forces, joining Government service on or after 01.01.2004.

The salient features of the New Pension Scheme are as follows:

1. The New Pension Scheme will work on defined contribution basis and will have two tiers-Tier-I and II. Contribution to Tier I is mandatory for all government servants joining government service on or after 01.01.2004, whereas Tier II will be optional and at the discretion of Government servants.
2. In Tier I, Government servants will have to make a contribution of 10% of his basic pay plus DA, which will be deducted from his salary bill every month by the PAO concerned. The Government will make an equal matching contribution.
3. Tier I contributions (and the investment returns) will be kept in a non-withdrawable Pension Tier I Account. Tier II contributions will be kept in a separate account that will be withdrawable at the option of the government servant. Government will not make any contribution to Tier II account.
4. The existing provisions of Defined Benefit Pension and GPF would not be available to new government servants joining Government service on or after 01.01.2004.
5. In order to implement the Scheme, there will be a Central Record Keeping Agency and several Pension Fund Managers to offer three categories of Schemes to Government servants viz. options A, B and C based on the ratio of investment in fixed income instruments and equities. An independent Pension Fund Regulatory and Development Authority (PFRDA) will regulate and develop the pension market.
6. As an interim arrangement, till such time the Statutory PFRDA is set up, an interim PFRDA has been appointed by issuing an executive order by M/o Finance (DEA).
7. Till the regular Central record Keeping Agency and Pension fund Managers are appointed and the accumulated balances under each individual account are transferred to them, it has been decided that such amounts representing the contributions made by the Government

servants and the matching contribution made by the Government will be kept in the Public Account of India. This will be purely a temporary arrangement as announced by the Government.

8. It has also been decided that Tier II will not be made operative during the interim period.
9. A government servant can exit or after the age of 60 years from the Tier I of the scheme. At exit, it would be mandatory for him to invest 40 percent of pension wealth to purchase an annuity (from an IRDA regulated Life insurance Company), which will provide for pension for the lifetime of the employee and his dependent parents/spouse. In the case of government servants who leave the Scheme before attaining the age of 60, the mandatory annuitisation would be 80% of the pension wealth.
10. The following guidelines are issued for the implementation of the New Pension Scheme during the interim arrangement for the guidance of the PAOs/DDOs:
 - (a) The new pension scheme becomes operational with effect from 01.01.2004.
 - (b) Contribution payable by the Govt. servants towards the Scheme under Tier I, i.e. 10% of the (basic pay + DA), will be recovered from the salary bills every month.
 - (c) **The scheme of voluntary contributions under Tier-II will not be made operative during the period of interim arrangement and therefore no recoveries will be made from the salaries of the employees on this account.**
 - (d) **Recoveries towards Tier I contribution will start from the salary of the month following the month in which the Government servant has joined service. Therefore, no recovery will be effected for the month of joining.** For example, for employees joining service in the month of January 2004, deductions towards Tier I contribution will start from the salary bill of February 2004. No deduction will be made for his salary earned in January 2004. Similarly, deductions for those joining service in the month of February 2004 will start from the salary bill of March 2004 and so on.
 - (e) **No deductions will be made towards GPF contribution from the Government servants joining the service on or after 01.01.2004 as the GPF scheme is not applicable to them.**

- (f) **It has been decided that pending formation of a regular Central Record Keeping Agency, Central Pension Accounting Office will function as the Central Record Keeping agency for the above scheme.**
- (g) Immediately on joining government service, the government servant will be required to provide particulars such as his name, designation, scale of pay, date of birth, nominee(s) for the fund, relationship of the nominee etc. in the prescribed form (Annexure I). The DDO concerned will be responsible for obtaining this information from all government servants covered under the New Pension Scheme.
- (h) The PAO concerned will allot a unique 16 digit Permanent Pension Account Number (PPAN). The first four digits of this number will indicate the calendar year of joining government service, the next digit indicates whether it is a Civil or a Non-Civil ministry (for all Civil Ministries this digit will be "1", for CGDA it will be "2", for Posts it will be "3", for Telecom it will be "4" and for Railways it will be "5"), the next six digits would represent the PAO code (which is used for the purpose of compiling monthly accounts), the last four digits will be running serial number of the individual Government servant which will be allotted by the PAO concerned. PAO will allot the serial number pertaining to individual Government from '0001' running from January to December of a calendar year. The following illustration may be followed :

The first Govt. servant joining service under Ministry of Civil Aviation under the accounting control of PAO (Sectt.), New Delhi in 2004, shall be allotted the following PPAN:

Calendar Year	Min/Dept.	PAO Code*	Serial Number
2 0 0 4	1	0 4 0 8 6 6	0 0 0 1

***PAO Code will be allotted by the CPAO on receipt list of PAO from each of the Non-Civil Ministries/Departments.**

- (i) For the flow of information from Non Civil Ministries/Departments to the CPAO, each of them will nominate a Nodal office, which will be responsible for forwarding the consolidated information/particulars in respect of their Ministry/Department and for correspondence with CPAO.

- (j) The particulars of the government servants received from the various DDOs will be consolidated by the Nodal office identified in each Ministry/Department/Office and send to CPAO in the format (Annexure II) by 15th instant. The CPAO will feed this information in their computer database.
- (k) The accounting heads involved in the operation of the new pension scheme will be intimated in due course.
- (l) After the salary bill is passed for payment by the PAO along with the bill for matching contribution of the Government, the consolidated information on contributions in electronic form (Annexure III) should be sent by the Nodal office of the Ministry/Department/Office concerned to the Central Pension Accounting office by 15th of the following month.
- (m) CPAO on receipt of this information will update its database and generate exception reports for missing credits, mismatches etc. which will be sent back to the Nodal office concerned for further action.
- (n) Whenever any Govt. servant is transferred from one office to another either within the same accounting circle or to another accounting circle, **balances will not be transferred by the PAO to the other Accounts office.** However, the Drawing and Disbursing Officer should clearly indicate in the LPC of the individual the unique account number, the month upto which government servant's contribution & government's contribution have been transferred to the Pension Fund.
- (o) **No withdrawal of any amount will be allowed during the interim arrangement.** Provisions regarding terminal payments in the event of untimely death of an employee or in the event of his leaving the Government service during the interim period shall be notified in due course.
- (p) Detailed instructions on the interest payable on Tier I balances shall be issued in due course.
- (q) At the end of each financial year the CPAO will prepare annual account statements for each employee showing the opening balance, details of monthly deductions and government's matching contributions, interest earned, if any, and the closing balance. CPAO will send these statements to the Nodal Office concerned.
- (r) After the close of each financial year CPAO will have to report the details of the balances (PAO-wise) to each Nodal Office, who will forward the information to each PAO for the purpose of reconciliation. The PAO will

reconcile the figures of contributions with figures as per the books of CPAO.

- (s) After the appointment of CRA & Fund Managers, this office will issue detailed instructions on transfer of balances to CRA.

All Non-Civil Ministries/Departments are hereby requested to issue suitable instructions to their filed offices for implementation of the new pension scheme and are also requested to intimate to this office and the CPAO the detailed name, address, telephone number, fax number, email address of the Nodal Office and the details of the officer in charge.

ANNEXURE-I

1. Name of the Govt. Servant :
(in Block Letters)
2. Designation :
3. Name of Ministry/Deptt./Organisation :
4. Scale of Pay :
5. Date of Birth :
6. Date of joining Govt. Service :
7. Basic Pay :
8. Nominee for accumulations under the Pension Account :

Sl. No.	Name of Nominee (s)	Age	Percentage of Share Payable	Relationship with the Government Servant
1				
2				
3				

Signature of the Govt. Servant

DDO

ANNEXURE-II

Format in which information is required to be sent by Nodal Office to Central Pension Accounting Office

Sl. No.	Name of the Govt. Servant	Designation	Name of Office & Addresses	Basic Pay	Date of Birth	Unique Pension A/c No. In 16 Digits (allotted by PAO)	Date of Joining service	Details of nominee(s) for the accumulations under pension account				Remarks
								Name of Nominee (s)	Age	Relation-ship with Govt. Servant	%age of Share	

Name of the Ministry/Department

ANNEXURE-III

Format in which information on contributions is required to be sent by Nodal Offices to Central Pension Accounting Office Deductions for the month of.....

Sl. No.	PAO Code	Name of the Govt. Servant	Unique Account No. in 16 digits allotted by PAO	Basic Pay Rs.	Amount of Contribution Under Tier-I Rs.	Government Servant's Contribution Under Tier-I Rs.	Government Servant's Contribution Under Tier-II Rs. *	Total Rs.	Remarks

***This column is not to be used during the interim period**

Name of the Ministry/Department