New Defined Contribution Pension Scheme being introduced with effect from 1.4.2005.

Government of Gujarat,
Finance Department,
G.R.No.NPN-2003-GOI-10-P
Sachivalaya, Gandhinagar
Date: 18.3.2005

1. An announcement was made by the Central Government in the Parliament during presentation of the Budget of 2003-2004 to introduce a new structured known as Contributory Pension Scheme for the candidates to be recruited in the services of the Central Government. As one of the measures towards this end, the Government of India has introduced a New Defined Contribution Pension Scheme with effect from 1.1.2004 for it's employees except the Armed Forces. The Government of India has also framed an interim method as detailed rules and regulations were to be framed for the implementation of this Scheme.

2. The issue of covering the employees to be appointed in the services of the State Government as well as the employees to be appointed in the Board / Corporations of the State and the employees to be appointed on the teaching and non-teaching posts of all Grant-in-Aid Institutes and other such Institutes where Pension Scheme is in vogue today, under the aforesaid New Defined Contribution Pension Scheme of the Government of India, was under consideration of the Government for quite some time.

After careful consideration, it is decided to implement this New Defined Contribution Pension Scheme from 1st April, 2005 and as such, this New Defined Contribution Pension Scheme shall apply to the following employees.

(1) All employees of Government and Panchayat who may be appointed on or after 1st April, 2005.

(2) Employees who may be appointed in the Board / Corporations where at present the scheme to get retirement benefits equivalent to those of the State Government employees is in vogue and all teaching and non-teaching employees who may be appointed on or after 1st April, 2005 in the Grant-in-Aid Institutes where the present Pension Scheme is in vogue.

(3) Employees already appointed prior to 1st April, 2005 under the practice adopted by the State Government for appointment on Monthly Lumpsum Salary and the employees who may be appointed now onwards on Monthly Lumpsum Salary through the regular recruitment procedure applicable as per Government orders in force and who may be converted in the regular pay-scale on or after 1st April, 2005.

(4) Teaching and non-teaching employees already appointed or to be appointed under the 'Vidya Sahayak' or "Shikshan Sahayak' Scheme of the Education Department of the State Government as well as the teaching and non-teaching employees appointed under the aforesaid Scheme who would get salary in the regular pay-scale on or after 1st April, 2005.

3. Bombay General Provident Fund Rules as amended from time to time will not be applicable to the employees appointed or may be appointed as mentioned in the above para (2).

4. Employees newly appointed or may be appointed hereafter as mentioned in the above para (2), shall not be entitled to the retirement benefits admissible under the Gujarat Civil Services (Pension) Rules, 2002.

5. Necessary amendments in the Rules mentioned below and in the other relevant Rules shall be carried out separately:-

   (1) Bombay General Provident Fund Rules.

   (2) Gujarat Civil Service (Pension) Rules, 2002.

   (3) As may be found necessary in any other Rules / Government Resolutions.

6. The deduction of contribution of the New Defined Contribution Pension Scheme shall commence from the employee's salary from the month subsequent to the month of joining the service, e.g. in the case of an employee appointed in the month of April-2005, his contribution shall be recovered from the salary of May to be paid on 1st June, 2005.

7. Separate detailed orders, guidelines and the accounting procedure to be adopted for implementation of the decision contained in this Resoltuion shall be issued separately.

8. The salient features and provisions of this New Defined Contribution Pension Scheme have been appended as an Annexure to this Resolution.

By order and in the name of the Governor of Gujarat.

P.K.Pujari
Secretary (Economic Affairs)
Finance Department

To

- Secretary to H.E. the Governor
- Secretary to the Hon'ble Chief Minister
- P.S. to all Ministers/Deputy Ministers/Ministers of State.
- P.S. to the Leader of the Opposition.
- All Members of the Parliament and Members of the Legislative Assembly.
- * Secretary, Gujarat Legislative Assembly, Gandhinagar.
- * Registrar General, Gujarat High Court, Ahmedabad.
- * Secretary, Gujarat Vigilance Commission, Gandhinagar
- * Secretary, Gujarat Public Service Commission, Ahmedabad
- * Chairman, Gujarat Civil Services Tribunal, Gandhinagar.
- All Departments of Sachivalaya.
- All Heads of Departments.
- All District Collectors (with a request to inform Subordinate Offices)
- All District Development Officers
- All Treasury Officers.
- Accountant General (Audit), Gujarat State, Ahmedabad.
- Accountant General (Audit), Gujarat State, Rajkot
- Accountant General (A&E), Gujarat State, Ahmedabad
- Accountant General (A.& E.), Gujarat State, Rajkot
- Director, Accounts & Treasures, Old Sachivalaya, Gandhinagar
- Director, Pension & Provident Fund, Old Sachivalaya, Gandhinagar
- Inspector, Local Fund Accounts, Gandhinagar
- Resident Audit Officer, Gandhinagar/Ahmedabad.
- Pay & Accounts Officer, Ahmedabad/Gandhinagar/Narmada/Vadodara
- All District Assistant Inspectors of Local Fund
- All Officers of the Finance Department
- All Branches of the Finance Department (Including F.A. Branches)
- Select File / Assistant Select File.
- "K" Distribution.

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* By Letter

NEW DEFINED CONTRIBUTION PENSION SCHEME BEING INTRODUCED WITH EFFECT FROM 1ST APRIL, 2005:

Appendix of Resolution No.NPN-2003-GOI-10-P, dated 18.3.2005 of the Finance Department of the Government - Salient features and Provisions of the New Defined Contribution Pension Scheme.

1. The Pension Scheme shall be based on the pre-determined contribution.

   - The fund under this Scheme shall be regulated as may be decided by the Government of Gujarat as per Guidelines of the Pension Fund Regulatory Development Authority (PFRDA) functioning under the Centre.

2. The New Defined Contribution Pension Scheme being introduced from 1st April, 2005 shall compulsorily apply to the following employees:-

   (1) All employees of Government and Panchayat who may be appointed on or after 1st April, 2005.

   (2) Employees who may be appointed in the Board / Corporations where at present the scheme to get retirement benefits equivalent to those of the State Government employees is in vogue and all teaching and non-teaching employees who may be appointed on or after 1st April, 2005 in the Grant-in-Aid Institutes where the present Pension Scheme is in vogue.

   (3) Employees already appointed prior to 1st April, 2005 under the practice adopted by the State Government for appointment on Monthly Lumpsum Salary and the employees who may be appointed now onwards under Monthly Lumpsum Salary through the regular recruitment system

applicable as per Government orders in force and as and when who may be converted in the regular pay-scale on or after 1st April, 2005.

(4) Teaching and non-teaching employees already appointed or to be appointed under the 'Vidya Sahayak' or "Shikshan Sahayak' Scheme of the Education Department of the State Government as well as the teaching and non-teaching employees appointed under the aforesaid Scheme who would get salary in the regular pay-scale on or after 1st April, 2005.

3. 10% amount of the Basic Pay and Dearness Allowance of the employee / officer shall be deposited as compulsory monthly contribution and equal amount shall have to be deposited by the State Government or the concerned Institution as matching monthly contribution.

4. The New Pension Scheme is based on the prescribed contribution with two tiers - Tier-1 and Tier 2. For the employees who may be appointed on or after 1st April, 2005 as mentioned above in para 2, contribution in Tier-1 is compulsory. whereas Tier-2 is optional and is based at the discretion of the employees.

5. The contribution of Tier-1 (contribution and investment return) shall be deposited in the account of Pension Tier-1 account from which withdrawal cannot be made. The contribution of Tier-2 shall be kept in a separate account, which will be an account from which employee can make withdrawals. The Government shall not give any contribution in the Tier-2 account.

6. In addition to the above Pension Account (Tier-1), each employee can open a voluntary Tier-2 Account from which money can be withdrawn at his own will. This second option has been given as the General Provident Fund Scheme is being discontinued for the employee getting newly recruited on or after 1.4.2005.

In this voluntary account (Tier-2), Government or concerned Institution shall not give any contribution. The assets of this voluntary Tier-2 shall be managed in the manner as mentioned in No.1 above. However, he shall be at liberty to withdraw the money of Tier-2, either fully or partially, at any time. The pension investment shall not be reduced because of withdrawal of money from this voluntary Tier-2 account and he would not get any relaxation about tax.

7. The employee shall have to give a contribution of 10% of the total amount of his Basic Pay and Dearness Allowance in Tier-1, which shall be deducted every month by the concerned Drawing Officer from his pay bill. Against this, the Government or the concerned Institution shall also deposit the equal amount.

8. The employee can leave the Tier-1 of the Pension Scheme when he reaches the age of superannuation or thereafter.

   - While leaving this scheme, the employee shall have to invest compulsorily 40% amount of his Pension Assets in a Life Insurance Company regulated by the IRDA (Insurance Regulatory and Development Authority).

   - This annuity shall provide pension for the lifetime to the employee dependent parents and spouse of the retiring employee during his remaining life.

   - The balance Pension Assets shall be given to the employee in lumpsum, which he can use at his own will.

   - The employee can also leave the pension scheme prior to his retirement. However, in such cases, he shall have to invest 80% of the Pension Assets in the annuity.

9. Tier-2 system shall not be made operative at present.

10. The employee referred to in the above para-2 shall not get the benefit of the existing Pension Scheme and the benefit of the prevailing provisions of the Bombay General Provident Fund Rules with effect from 1st April, 2005.

11. 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.

There will be different investment choices such as Option A, B and C, The Option A would imply predominant investment in fixed income instruments and some investment in equity. Option B will imply greater investment in equity. Option C will imply almost equal investment in fixed income and equity.

12. Till such constitutional PFRDA becomes fully operational; the management and maintenance of accounts of this Fund shall be managed by the Directorate of Pension and Provident Fund on temporary basis.

13. Till the agency maintaining the Permanent Central Record and the Pension Fund Managers are appointed and the amount deposited in each individual account is transferred to them, it has been decided that the amount of such contribution deposited by the employee referred in para-2 above and the equal amount to be deposited by the Government or by the Institution shall be kept in the Public Account of the State Government. This arrangement shall be on provisional basis as decided by the Government.

- Interest shall be given @ 8% per annum or as may be decided by the State Government from time to time on such deposited amount.

14. A government servant can exit at or after the age of superannuation from the Tier-1 of the Scheme. At exit, it would be mandatory for him to invest 40% 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 superannuation, the mandatory annuitisation would be 80% of the pension wealth.

15. The amount accumulated shall be transferred to the Fund Managers when the Agency maintaining the Permanent Central Record and the Pension Fund Manager are appointed. The employees shall be free to invest such consolidated amount as per their choice. However, the Directorate of Pension and Provident Fund shall maintain the record of details of the fund transferred to the Fund Managers and the details of the contribution of the employee and the contribution of the State Government / Institute on permanent basis. It shall also undertake the task of coordinating with the Agency maintaining the Permanent Central Record.

16. Instructions regarding issues mentioned in Statement-A shall be issued hereafter.

P.K.Pujari
Secretary (Economic Affairs)
Finance Department

STATEMENT-A

New Defined Contribution Pension Scheme being introduced with effect from 1st Aapril, 2005 for new recruits:

In this regard, the detailed guidelines in respect of the following points shall be issued separately

1. Contribution of the Government Employee means 10% of the total amount of Basic Pay and Dearness Allowance.
2. Functions of the Directorate of Pension & Provident Fund and the system to be adopted for maintaining Consolidated Accounts of the State Government .
3. Form for allotting account number showing details of the incumbent.
4. Instructions regarding Nomination.
5. Method of allotting Permanent Number and method of intimating the same to the employee and to the Head of the Office.
6. Powers of Allotment for Permanent Number to the Head of Department and method to be adopted for giving number-code number.
7. Registers to be maintained by the Head of Department for the Permanent Numbers.
8. Method to be adopted on transfer of employe from one department / office to the other department / office.
9. Responsibilities of the Head of the Office.
10. Responsibilities of the Head of the Department.
11. Responsibilities of the office maintaining Consolidated Funds.

12. Procedure regarding agencies getting grant.

13. Procedure for the Panchayat Employees.

14. Instructions regarding Schedule to be attached with the Pay Bill.

15. Responsibilities and methods of sending Schedules kept with the Pay Bills to the officer maintaining Consolidated Funds.

16. Responsibilities of the Drawing and Disbursing Officer making payment vide cheque and procedure to be adopted by him.

17. Procedure regarding depositing the contribution of the Government and the budget head to that respect.

18. Method regarding intimating the amount deposited in the account at the end of the year.

19. Action to be taken in case of death of an employee or in case of the employee resigning from the service.

20. Interest on the amount to be deposited in the account.

21. Clear instructions regarding non-sanctioning any kind of withdrawal from the amount deposited in the account.

22. Information and details to be provided to the Finance Department from time to time.
