

PENSION CALCULATION



Corporation Bank Officers' Organisation [Regd.]

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FOREWORD

Provident Fund, Pension and Gratuity are the three major retirement benefits available to any officer in the Bank. However, often it is noticed that the officers find it difficult to calculate the retirement benefits themselves and seek the assistance of Central Office. With more than fifty per cent officers scheduled to retire within next five years, there is a need to enable the officer to provide guidance in this regard.

Regarding Provident Fund there is no need for any clarification, as the officer gets annual statement of account from the Bank every year. However, Pension and Gratuity calculation requires a little more understanding of different provisions of the scheme / provisions under different laws. In this booklet, an effort is made to enable the officer to understand the concept and the steps in calculating his terminal benefits under Pension Scheme /Gratuity. Sri S. Ramachandrappa, Joint General Secretary has taken pains to simplify the whole process by providing the relevant provisions under the Scheme supported by innumerable examples. His efforts are laudable and we are sure the officers will find the booklet very useful in calculating their terminal benefits by themselves.

The officers who have joined the industry on or after 1st April 2010 are covered under New Pension Scheme (NPS). Hence, a chapter on NPS is also provided to enable them to understand the scheme.

We welcome the feedback from the officers so as to enable us to improve upon it.



[D. N. PRAKASH]
PRESIDENT

DEFINED BENEFIT PENSION SCHEME

Pension is a social security measure which provides a regular income after retirement. It also takes care of the effect of erosion in money value due to inflation. The scheme is aimed at providing the retired officer a decent standard of living.

Payment of Pension as superannuation benefit was introduced in the banking industry in 1995/1996 as a part of Bipartite Settlement between the unions in the industry and Indian Banks' Association. As a result, pension scheme was made part of service condition in lieu of Provident Fund at the option of the officer.

Corporation Bank (Employees') Pension Regulations, 1995

The pension regulations apply to all employees who are in services of the Bank on or after 01st January 1986 but before 01.04.2010. For other details, kindly refer CBOO Manual on OSR (Page No.205-254).

Pension Eligibility

An employee is eligible for pension **on superannuation** or **on voluntary retirement** from service.

Different classes of Pension

Superannuation Pension	Pension on Voluntary Retirement	Invalid Pension	Compassionate Allowance	Compulsory Retirement Pension
Shall be granted to an employee who has retired on his attaining the age of Superannuation (Refer Pension Regulation 28 for details)	Shall be granted to an employee who has completed 20 years of service on or after 01.11.1993 (Refer Pension Regulation 29 for details)	Shall be granted to an employee who has rendered minimum 10 years of service and retired from service on or after 01 st November 1993 on account of any bodily or mental infirmity, which permanently incapacitates him from the	An employee who is dismissed or removed or terminated from service shall forfeit his pension. Provided that the authority higher than the authority competent to dismiss or remove or terminate him from service may, if such dismissal, removal or termination is on or after 01.11.1993	An employee compulsorily retired from service as a penalty on or after 01.11.1993 in terms Disciplinary and Appeal Regulations or Settlement, by the authority higher than the Competent Authority to impose such penalty, may

Superannuation Pension	Pension on Voluntary Retirement	Invalid Pension	Compassionate Allowance	Compulsory Retirement Pension
		service. (Refer Pension Regulation 30 for details)	and the case is deserving special consideration, may sanction a Compassionate Allowance not exceeding the pension which would have been admissible to him on the basis of the qualifying service rendered up to the date of his dismissal, removal or termination. The Compassionate Allowance to be sanctioned should not be less than minimum pension as admissible under Pension Regulations. (See Pension Regulation 31 for details)	be granted at a rate not less than 2/3 rd of eligible pension and not more than full pension on the date of his compulsory retirement. The pension to be granted should not be less than Rs.375.00 p.m. (See Pension Regulation 33 for details)

MINIMUM PENSION (Pension Regulation 36):

Minimum Pension payable shall be **Rs.5030.00 (Rupees Five thousand nine hundred thirty only)** in respect of an employee other than part time employee who retired on or after 01.04.1998.

DEARNESS ALLOWANCE (DA) [Pension Regulation 37]:

DA shall be granted on Basic Pension or Family Pension or on Compassionate Allowance also as per the rates specified. With effect from 01.11.2007 the DA is neutralized to 100%. All the employees retiring /retired after 01.11.2007, DA is paid for every 4 points over 2836 points in the monthly average of AICP index for Industrial Workers in the series 1969=100 at the rate of 0.15 % on Basic Pension.

Dearness Allowance shall be allowed **on full Basic Pension even after commutation.**

Pensioner whose basic pension is less than the minimum pension but the aggregate of basic pension and additional pension is more than the minimum pension shall draw dearness allowance as applicable to minimum pension.

QUALIFYING SERVICE (Pension Regulation 14 to 27):

An employee who has rendered a minimum service of 10 years in the bank on the date of retirement or the date on which he is deemed to have retired shall be eligible for pension. The Qualifying service will be reckoned from the day on which employee took charge of the post. Service on probation is also counted. All kinds of Leave availed during service is reckoned for calculation of qualifying service except the Extra Ordinary Leave on Loss of Pay.

ELOP sanctioned, **not exceeding 12 months** during the entire service and the sanctioning authority while sanctioning has directed that such leave not exceeding 12 months during the entire service may be counted as service for pension will be reckoned.

Period spent during training will also count as qualifying service.

Broken period of Service: If the service of an employee includes broken period, in such cases, broken period of service less than one year but more than 6 months, shall be treated as one year. If such broken period is less than or equal to 6 months, the same shall be ignored.

Period of Suspension: Period of suspension shall count for qualifying service where on conclusion of enquiry, the employee is fully exonerated or the suspension is held as unjustified. In all other cases, the period of suspension **shall not** be counted for qualifying service **unless Disciplinary Authority passes an order to the contrary.**

Forfeiture of Service (Pension Regulation 22):

Resignation or Dismissal or Removal or Termination of an employee from the services of the Bank shall result in forfeiture of his entire past service and shall not qualify for pensionary benefits.

Addition to Qualifying Service:

An employee shall be eligible to add to his service **qualifying for superannuation pension (not for any other pension)** the actual period not exceeding one fourth of the length of his service or the actual

period by which his age at the time of recruitment exceeded the upper age limit specified by the Bank for direct recruitment or **a period of 5 years, whichever is less.**

Provided that this concession shall not be admissible to an employee, if his actual qualifying service at the time he quits the service in the Bank is less than 10 years.

NOTE: A minimum of 33 years of service is prescribed to become eligible for full superannuation pension and employees with less than 33 years of service would get proportionate pension. However, an employee who opts for VRS under Pension Regulation 29 after 28 Years of service is eligible for additional qualifying service of not more than 5 years provided the total qualifying service rendered by the employee shall not exceed 33 years and it does not take him beyond the date of superannuation.

COMMUTATION

Commutation means availing the future pension in one lump sum at a discounted value repayable at 12% p.a. Pensioner is entitled to commute either for lump sum payment of a fraction not exceeding 1/3rd of his Pension.

The commuted amount will be recovered in monthly installments for a period of 15 Years. Commutation of pension is determined based on the age factor of the pensioner. Commutation values applicable for different age is furnished in CBOO Manual on OSR (Page No. 229). Higher the age, the lesser the commutation value whereas lesser the age, higher will be the commutation amount.

The commuted amount has to be repaid in 15 years in monthly instalments with interest, which works out at 12.00% p. a. approximately.

Once the commuted amount is fully repaid, the full pension will be restored and the pensioner is further eligible to commute the pension.

Please note that **family pension cannot be commuted.**

IMPORTANT: In case of death of the pensioner who had commuted his pension, no further recovery of commutation is permitted from family pension. It implies that if the pensioner who has availed

Commutation dies and the commuted amount is not fully repaid, the rest of the amount cannot be recovered from family pension and the same has to be forfeited by the Pension Trustee.

If the pensioner avails the commutation within one year of retirement, no medical examination is necessary. In all other cases, the pensioner has to undergo medical examination. Therefore, it is advisable to avail the commutation immediately after the retirement.

DETERMINATION OF BASIC PENSION

Basic Pension depends on Basic Pay and the amount of allowances which qualify for PF contribution. Basic Pension depends on average emoluments comprising of Basic Pay and the amount of such allowances for preceding 10 months.

Determination of the period of Ten months for average emoluments:

In the case of Voluntary Retirement or premature retirement, dismissal or removal, compulsory retirement, the emoluments pertaining to the period of the preceding 10 months are from the date of premature retirement, retirement/dismissal/removal. If an employee had been absent from duty on ELOP or loss of pay or had been under suspension and the period whereof does not count as service during the last 10 months, **the period of loss of pay or suspension shall not be taken into account** for the purpose of calculation of the average emoluments and an equal period of the 10 months prior to the given period will be taken into account. A month for calculation purpose may be reckoned as 30 days.

Calculation of Basic Pension :

The formula for calculating pension in respect of officer employees on various dates is provided in Page No.238 of CBOO Manual on OSR. Please go through the same for details.

In the case an employee is retiring after completing not less than 33 years of service, the amount of Basic Pension shall be **50% of the average emoluments drawn during the last 10 months.**

In the case an employee is retiring before completing the service of 33 years but after completing a qualifying service of 10 years, the amount of pension shall be proportionate to the amount of pension admissible.

However, in no case the amount of pension shall be less than the amount of minimum pension specified in Regulation i.e. Rs.1779.00 pm.

FAMILY PENSION:

Eligibility:

The family of the deceased employee is entitled for Family Pension where an employee dies after completion of **one** year of continuous service, or before completion of one year of continuous service provided the deceased employee concerned, immediately prior to his appointment to the service or post, was examined by a medical officer approved by the Bank and declared fit for employment in the Bank or after retirement from service and was on date of death, receipt of a pension or compassionate allowance.

From the above it is very clear that if any employee joined after due medical examination, dies on the next day of his joining, his/her family members are eligible for family pension.

The amount of family pension shall be fixed at monthly rates and in whole rupees.

In case an officer dies after completing 7 years of service, the family members shall be eligible for **50% of last drawn salary or twice the family pension admissible, WHICHEVER IS LESS** and shall be paid from the date of death for a period of 7 years or for a period up to the date on which the retired/deceased officer employee would have attained the age of **65 years**, had he survived, whichever is earlier.

Period of family pension:

The period for which family pension is payable shall be:

- a) In the case of widow or a widower, up to the date of date of death or remarriage, whichever is earlier
- b) In the case of son or daughter (including widowed/divorced) until he /she attains the age of 25 years or up the date of his/her marriage or remarriage, whichever is earlier.

For further details regarding other eligible legal heirs, please read Pension Regulation 40 (See Page No.224 of CBOO Manual on OSR).

Family pension is paid at the following rates:

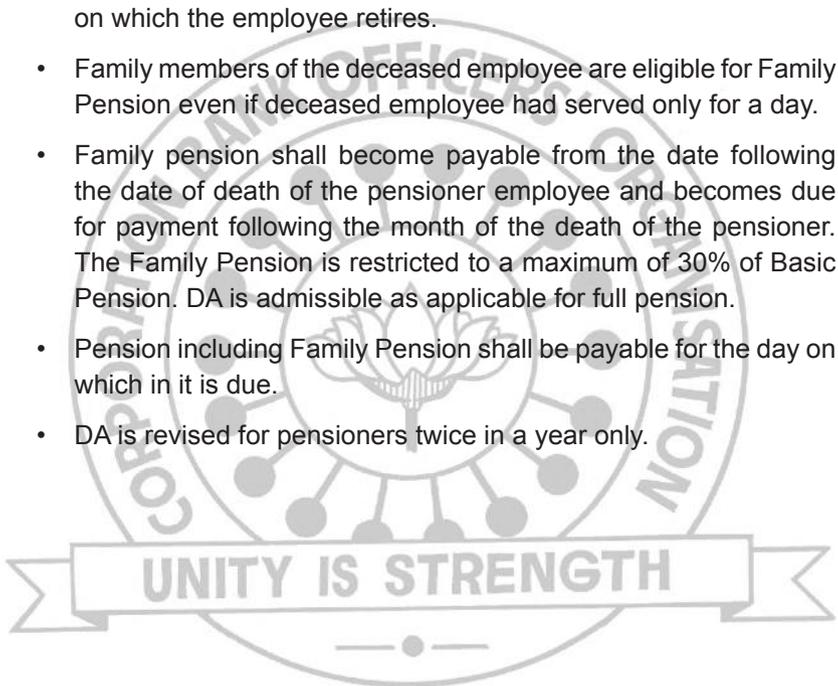
Scales of pay per month	Amount of Monthly Family Pension
Upto Rs.7090.00	30% of the pay shall be the Basic Family Pension plus 30% of allowances which are counted for making contributions to PF but not DA shall be the additional family pension. The Basic Family Pension and additional family pension shall not be less than Rs.1779.00 PM
Rs.7091 to Rs.14180.00	20% of the pay shall be the basic family pension plus 20% of allowances which are counted for making contributions to PF but not DA shall be the additional family pension. The Basic Family Pension and additional family pension shall not be less than Rs.2176.00 PM
Above Rs.14181.00	15% of the pay shall be the basic family pension plus 15% of allowances which are counted for making contributions to PF but not DA shall be the additional family pension. The Basic Family Pension and additional family pension shall not be less than Rs.2841 PM and not more than Rs.5930.00 per month

Minimum Pension: In respect of employees other than part time employees, who retired on or after 01.11.2007 the amount of minimum pension shall be Rs.1779.00 pm.

IMPORTANT- PLEASE NOTE:

- **Commutation** should be availed immediately after retirement.
- If the employee avails VRS after 28 years of service and the remaining service is more than 5 years and the same will not take him beyond the age of 60 years, he will be eligible for additional qualifying service of 5 years and will get full pension.
- An employee who has completed 20 years of service and opted for VRS and whose remaining service is more than 5 years, his total qualifying service would be 25 years and will get pro-rata pension.

- An employee who has completed 28 years but less than 33 years of actual service will receive pro-rata pension on attaining the age of superannuation.
- An officer employee who retired after completing 28 years of actual service will get lesser pension than a VRS optee who takes VRS after 28 years of service, as he is eligible for additional qualifying service of 5 years.
- Pension shall become payable from the month following the date on which the employee retires.
- Family members of the deceased employee are eligible for Family Pension even if deceased employee had served only for a day.
- Family pension shall become payable from the date following the date of death of the pensioner employee and becomes due for payment following the month of the death of the pensioner. The Family Pension is restricted to a maximum of 30% of Basic Pension. DA is admissible as applicable for full pension.
- Pension including Family Pension shall be payable for the day on which in it is due.
- DA is revised for pensioners twice in a year only.



1. HOW TO CALCULATE PENSION ?

A) SUPERANNUATION PENSION

CASE NO. 1

1. Name of the Officer : Mr. ABC
2. Date of Birth : 17.06.1952
3. Date of Joining the Bank : 18.10.1980
4. Date of Retirement : 30.06.2012
5. Age at the time of retirement : 60 years
6. Total Service Rendered : 31 Years, 8 Months, 13 Days
7. Total Qualifying Service for Pension : 31 Years, 8 Months, 13 Days
8. Total No of Years of service reckoned for calculation : **32 Years**
9. Max No of years to be reckoned for calculation : 33 Years
10. Whether eligible for 1/3rd for Commutation : Yes
11. Average Pay for the last 10 months : Rs.42430

Calculation of Basic Pension:

$$\text{Average Pay for last 10 months} \times \text{Eligible Service} = 42430 \times 32$$

$$\text{Basic Pension} = \frac{42430 \times 32}{2 \times 33} = 20573.00^*$$

Basic Pension (50% of the Average Pay) (A) Rs. 20573.00 *

Add: DA @ 63%.00 for 420 Slabs (B) Rs. 12961.00

Full Pension (A+B) (C) **Rs. 33534.00**

Less: Commuted Pension [1/3rd of Basic Pension i.e.A] (D) Rs. 6857.00 @

Basic Pension after Commutation (A-D) [E] **Rs. 13716.00**

Pension after commutation (E+B) (F) **Rs. 26677.00**

Amount receivable on Pension Commutation Rs. 807207.00 **

Calculation of Pension Commutation :

$$\text{Commutation Pension Value} = \frac{1}{3} \text{rd of Basic Pension} \times \text{Commutation factor} \times 12$$

i.e. Rs.6857/- @ x 9.81 x 12 = **Rs.807207/-** **

Note:

1. Since the employee retired on superannuation, no additional qualifying service is eligible.
2. As per Pension Regulations, Commuted Value depends on the age of the retired employee by next birthday. In the above case, the employee

retired at 60 years, so the commutation value for Re.1/- pension is 9.81 for 61 years (i.e. age by next birth day). For Commutation value at different age, refer commutation value chart provided in CBOO Manual on OSR (Page No. 229).

4. Please note that the employee will be repaying the commuted value of Rs.807207.00 in 15 years with a monthly instalment of Rs.6857.00 which comes to a total of Rs.12,34,260.00 with interest which works out roughly at 12.00% p.a.

CASE NO. 2

- | | |
|--|----------------------------------|
| 1. Name of the Officer | : Mr. MUTHURAJ |
| 2. Date of Birth | : 02.06.1953 |
| 3. Date of Joining the Bank | : 19.01.1983 |
| 4. Date of Retirement | : 30.06.2013 |
| 5. Age at the time of retirement | : 60 years |
| 6. Total Service Rendered | : 30 Years, 5 Months,
12 Days |
| 7. Total Qualifying Service for Pension | : 30 Years, 5 Months,
12 Days |
| 8. Total No of years of service reckoned for calculation | : 30 Years |
| 9. Max No of years to be reckoned for calculation | : 33 Years |
| 10. Whether eligible for 1/3 rd pension Commutation | : Yes |
| 11. Average pay for the 10 last months | : Rs.30910 |

Calculation of Basic Pension:

Average Pay for last 10 months x Eligible Service = 30910 x 30

Basic Pension = $\frac{2}{33} \times 30910 \times 30 = 14050.00^*$

- | | |
|---|--------------------------|
| Basic Pension (50% of the Average Pay) | (A) Rs. 14050.00 * |
| Add: DA @ 63% for 420 slabs | (B) Rs. 8851.00 |
| Full Pension (A+B) | (C) Rs. 22901.50 |
| Less : Commuted Pension (i.e.1/3rd of Basic Pension A) | (D) Rs. 4683.00 @ |
| Basic Pension after Commutation (A-D) | (E) Rs. 9367.00 |
| Pension after commutation (E+B) | (F) Rs. 18218.50 |
| Amount receivable on Pension Commutation | Rs.551322.00 ** |

Calculation of Pension Commutation :

Commutation Pension Value = 1/3rd of Basic Pension x Commutation Value x 12
i.e. Rs.4683@ x 9.81 x 12 = **Rs.551282.00 ****

CASE NO. 3

1. Name of the Officer : Mr. AAA
2. Date of Birth : 19.09.1942
3. Date of Joining the Bank : 10.09.1962
4. Date of Retirement : 30.09.2002
5. Age at the time of retirement : 60 years
6. Total Service Rendered : 40 Years, 0 Months,
12 Days
7. Total Qualifying Service for Pension : 40 Years, 0 Months,
12 Days
8. Total No of years of service reckoned
for calculation : 33 Years
9. Max. No of years to be reckoned for
calculation : 33 Years
10. Whether eligible for 1/3rd pension Commutation : Yes
11. Average pay for the last months : Rs.15720.00

Calculation of Basic Pension:

$$\text{Average Pay for last 10 months} \times \text{Eligible Service} = 15720 \times 33$$

$$\text{Basic Pension} = \frac{15720 \times 33}{2} = 7860.00^*$$

Basic Pension (50% of the Average Pay) (A) Rs. 7860.00 *

Add: DA (B) Rs. 9135.62

(Upto B.P. Rs. 3550/- @ 127.92% and above
Rs.3550.00 @ 106.60%)

Full Pension (C) Rs. 16995.62

Less : Commuted Pension (1/3rd of Basic Pension i.e. A) (D) Rs. 2620.00 @

Basic Pension after Commutation (A-D) (E) Rs. 5240.00

Pension after commutation (E-B) (F) Rs. 14375.00

Amount receivable on Pension Commutation Rs. 308426.00 **

Calculation of Pension Commutation :

$$\text{Commutation Pension Value} = \frac{1}{3} \text{rd of Basic Pension} \times \text{Commutation Value} \times 12$$

i.e. Rs.2620@ x 9.81 x 12 = Rs.308426.00 **

(B) VOLUNTARY RETIREMENT PENSION (Pension Regulation 29)

CASE NO. 1

1. Name of the Officer : Mr. XYZ
2. Date of Birth : 05.09.1954
3. Date of Joining the Bank : 29.09.1981
4. Date of Voluntary Retirement : 14.06.2012
5. Age at the time of retirement : 57 years
6. Total Service Rendered : 30 Years, 8 Months, 17 Days
7. Total No of years remaining service : 02 Years 2 months 22 days
8. Additional Qualifying Service eligible : 02 Years 2 months 22 days
9. Total Qualifying Service for Pension (7+8) : 32 Years, 10 Months, 39 Days
10. Max. No of years to be reckoned for calculation : 33 Years
11. Whether eligible for 1/3rd pension commutation: Yes
12. Average pay for the last 10 months : Rs.34200.00

Calculation of Basic Pension:

$$\text{Average Pay for last 10 months} \times \text{Eligible Service} = 34200 \times 33$$

$$\text{Basic Pension} = \frac{34200 \times 33}{2 \times 33} = 17100.00^*$$

Basic Pension (50% of the Average Pay) (A) **Rs. 17100.00 ***

Add: DA @ 63% for 420 slabs (B) Rs. 10773.00

Full Pension (C) Rs. 27873.00

Less : Commuted Pension (1/3rd of Basic Pension i.e.A) (D) Rs. 5700.00 @

Basic Pension after Commutation (C-D) (E) Rs. 11400.00

Pension after commutation (E+B) (F) Rs. 22173.00

Amount receivable on Pension Commutation **Rs.807207.00 ****

Calculation of Pension Commutation :

$$\text{Commutation Pension Value} = \frac{1}{3} \text{rd of Basic Pension} \times \text{Commutation Value} \times 12$$

i.e. Rs.5700/- x 10.78 x 12 = **Rs.737362.00 ****

Note:

1. Maximum additional qualifying service eligible is 5 years. As the remaining service is only 2 years 2 months 22 days, the same will be added to the service rendered for arriving at total qualifying service.
2. Broken period service of more than 6 months will be taken as one full year.
3. As per Pension Regulations, Commuted Value depends on the age by next birthday of the retired employee. In the above case, the employee retired at 57 years, so the commutation value for Re.1/- pension is 10.78 for 58 years (i.e. age by next birth day). Commutation value for different age, refer commutation value chart provided in CBOO Manual on OSR (Page No. 229).

CASE NO. 2

1. Name of the Officer : Mr. A
2. Date of Birth : 01.05.1955
3. Date of Joining the Bank : 12.09.1979
4. Date of Voluntary Retirement : 05.03.2013
5. Age at the time of retirement : 57 years 11 months
4 days
6. Total Service Rendered : 34 Years, 00 Month,
22 Days
7. Loss of Salary, if any : 10 days in Sep 2012
8. Total No. of years remaining service : 2 Years 1 months
26 days
9. Additional qualifying service eligible : NA (since completed
33 Years)
10. Total Qualifying Service for Pension : 34 Years, 00 Month,
22 Days
11. Max. No. of years reckoned for pension
calculation : 33 Years
12. Whether Is Eligible for 1/3 Commutation : Yes
13. Average pay for the last 10 months : Rs.31304.00

Month	Basic Pay & Allowance	No of days served during the month	No of days during the month	Pay Calculation
Mar 2013	31500	5	31	31500 x 05/30 = 05250.00 (A)
Feb 2013	31500	28	28	31500 x 30/30 = 31500.00 (B)
Jan 2013	31500	31	31	31500 x 30/30 = 31500.00 (C)
Dec 2012	31500	31	31	31500 x 30/30 = 31500.00 (D)
Nov 2012	31500	30	30	31500 x 30/30 = 31500.00 (E)
Oct 2012	31500	31	31	31500 x 30/30 = 31500.00 (F)
Sep 2012	31500	20 (10 days LOP)	30	31500 x 20/30 = 21000.00 (G)
Aug 2012	31500	31	31	31500 x 30/30 = 31500.00 (H)
Jul 2012	31500	31	31	31500 x 30/30 = 31500.00 (I)
Jun 2012	30600	30	30	30600 x 30/30 = 30600.00 (J)
May 2012	30600	26 (5 days LOP)*	31	30600 x 25/30 = 25500.00 (K)
Apr 2012	30600	10	30	30600 x 10/30 = 10200.00 (L)
Average Pay = (A+B+C+D+E+F+G+H+I+J+K+L)/10				Rs.31305.00

* Loss of Salary for 10 days in Sep. 2012 and 5 days in May 2012 due to ill health. The same method will be adopted even in case of LOP on account of Strike.

* For calculation purpose, 30 days in a month is reckoned.

** No of days served in March 2013 is 5 days. Hence, 5 days salary of March 2013 and 10 days salary of April 2012 is taken for the LOP of 5 days in May 2012 and 10 days in Sep 2012 for the purpose of calculation of Average Pay.

Calculation of Basic Pension:

Average Pay for last 10 months x Eligible Service = 31305 x 33

Basic Pension = $\frac{31305 \times 33}{2 \times 33} = 15652.50^*$

Basic Pension (50% of the Average Pay) (A) **Rs. 15652.50 ***

Add: DA @ 80.25% for 535 slabs (B) **Rs. 12561.00**

Full Pension (C) **Rs. 28213.50**

Less : Commuted Pension (1/3rd of Basic Pension i.e.A) (D) **Rs. 5217.00 @**

Basic Pension after Commutation (C-D) (E) **Rs. 10435.50**

Pension after commutation (E+B) (F) **Rs. 22996.50**

Amount receivable on Pension Commutation **Rs.674871.00 ****

Calculation of Pension Commutation :

Commutation Pension Value = 1/3rd of Basic Pension x Commutation Value x 12
i.e. Rs.5217@ x 10.78 x 12 = **Rs.674871.00 ****

Note:

- In the above case, the officer employee has completed 33 Years of qualifying service, hence adding of further qualifying service does not apply.
- As per Pension Regulations, Commuted Value depends on the age by next birthday of the retired employee. In the above case, the employee retired at 57 years, so the commutation value for Re.1/- pension is 10.78 for 58 years (i.e. age by next birth day). Commutation value for different age, refer commutation value chart provided in CBOO Manual on OSR (Page No. 229).

CASE NO. 3

1. Name of the Officer : Mr. BCA
2. Date of Birth : 17.07.1956
3. Date of Joining the Bank : 17.08.1977
4. Date of Voluntary Retirement : 31.08.2012
5. Age at the time of retirement : 56 years, 1 month, 15 days
6. Total Service Rendered : 35 Years,0 Months, 15 Days
7. Total No of Years remaining service : 3 Years 10 months 16 days
8. Additional Qualifying service eligible : NA (since completed 33 Years)
9. Total Qualifying Service for Pension : 35 Years, 00 Months, 15 days
10. Maximum years to be reckoned for calculation : 33 Years
11. Whether eligible for 1/3rd Pension Commutation : Yes
12. Average pay for the last 10 months : Rs.38230

Calculation of Basic Pension:

Average Pay for last 10 months x Eligible Service = 38230 x 33

$$\text{Basic Pension} = \frac{\text{Average Pay for last 10 months} \times \text{Eligible Service}}{2} = \frac{38230 \times 33}{2} = 19115.00^*$$

Basic Pension (50% of the Average Pay) (A) **Rs. 19115.00 ***

Add: DA @ 63.00% for 420 slabs (B) **Rs. 12042.00**

Full Pension (C) **Rs. 31157.00**

Less : Commuted Pension (1/3rd of Basic Pension i.e.A) (D) **Rs. 6371.00 @**

Basic Pension after Commutation (C-D) (E) **Rs. 12744.00**

Pension after commutation (E+B) (F) **Rs. 24786.00**

Amount receivable on Pension Commutation **Rs.848618.00 ****

Calculation of Pension Commutation :

Commutation Pension Value = 1/3rd of Basic Pension x Commutation Value x 12
i.e. Rs.6371@ x 11.10 x 12 = **Rs.848618.00 ****

Note:

As per Pension Regulations, Commuted Value depends on the age by next birthday of the retired employee. In the above case, the employee retired at 56 years, so the commutation value for Re.1/- pension is 11.10 for 57 years (i.e. age by next birth day). Commutation value for different age, refer commutation value chart provided in CBOO Manual on OSR (Page No. 229).

C) FAMILY PENSION

RATES FOR FAMILY PENSION

Scale of pay	Retired before 01.07.1993	Scale of Pay	Retired on or after 01.07.1983	Scale of pay	On or After 01.04.1998
Upto 1500	30 % of Pay (Min Rs.375.00)	Upto Rs.2870	30 % of Pay (Min Rs.720.00)	Upto 7090	30 % of Pay (Min Rs.1779.00)
Rs.1501-to Rs.3000	20% of Pay (Min Rs.450.00)	Rs.2871-to Rs.5740	20% of Pay (Min Rs.860.00)	Rs.7091- to Rs.14180	20% of Pay (Min Rs.2186.00)
Above Rs.3000	15% of pay (Min Rs.600 Max Rs.1250)	Above Rs.5740	15% of pay (Min Rs.1150 Max Rs.2400)	Above Rs.14180	15% of pay (Min Rs.1616 Max Rs.5930)

Note:

- In case the aggregate of Basic Family Pension and additional Family Pension fall short of minimum pension, the pensioner would be given minimum family pension.
- “Pay: means Basic pay and other allowances reckoned for Provident Fund
- Where an officer employee dies while in service after having rendered 7 years of continuous service, the rate of family pension payable to the family shall be equal to **50% of the last drawn Pay or twice the Family Pension admissible, WHICHEVER IS LESS.** The amount so admissible shall be from the date following the death for a period of 7 years or to a period up to the date on which the deceased employee would have attained the age of 65 years had he survived, **whichever is earlier.**

CASE NO. 1

- Name of the Officer (deceased) : Mr. A
- Date of Birth of the deceased : 05.10.1934
- Date of Joining the Bank : 11.03.1957
- Date of Retirement : 31.10.1992 (Retired at 58 Yrs)
- Date of Death : 17.03.2013
- Age on the date of death : 79 Yrs
- Total Service Rendered : 35 Years, 7 Months, 20 Days
- Whether Age crossed 65 years as on the date of death : Yes
- Total Qualifying Service for Pension : 35 Years, 7 Months, 20 days
- Last drawn pay at the time of death : Rs.5050

Calculation of Family Pension:

Basic Family Pension @ of the last drawn

Pay Rs. 5050.00	(A)	Rs. 758.00
Add: Dearness Allowance at 733% on Last drawn Pay (B)		Rs.5556.00
Total Family Pension (A) + (B)		Rs.6314.00

Note : Since the pensioner retired on 31.10.1992 DA rate applicable will be the rate prevailing at that time.

Family Pension Payable:

Maximum Family Pension	(A) :	Rs. 1250.00
Family Pension	(B) :	Rs. 758.00
Twice the Family Pension	(C) :	Rs. 1516.00
50% of last drawn salary	(D) :	Rs. 2525.00
Least of (C) and (D)	:	Rs. 1516.00

@Since the pensioner crossed 65 years as on date of death, the legal heirs are NOT eligible for twice the family pension, hence only Family Pension of Rs.758.00 will be paid).

CASE NO. 2

1. Name of the Officer (deceased) : Mr. Z
2. Date of Birth of the deceased : 05.10.1955
3. Date of Joining the Bank : 01.11.1976
4. Date of Voluntary Retirement : 17.11.2009
5. Date of Death : 23.07.2013
6. Age as on the date of death : 58 Yrs
7. Total Service Rendered : 33 Years, 0 Months,
16 Days
8. Whether Age crossed 65 years as on the date of death : No@
9. Total Qualifying Service for Pension : 33 Years, 0 Months,
16 days
10. Last drawn pay at the time of death : Rs.32710

Calculation of Family Pension:

Basic family Pension @ 15% of Pay of Rs.32710.00	(A)	Rs. 4907.00
Twice the Family Pension	(B)	Rs. 9814.00
50% of last drawn salary	(C)	Rs. 16355.00
Least of (B) and (C)		Rs. 9814.00

Family Pension Payable:

Basic family Pension @ 15% of Pay of Rs.32710.00	(A)	Rs. 4907.00
Twice the Family Pension	(B)	Rs. 9814.00
Add: DA @ 80.25% (536 slabs) on (B)	(C)	Rs. 7875.00
Total FAMILY Pension (B+C)		Rs.17689.00

@ Since the pensioner has not crossed the age of 65 years, the Family Pension eligible will be twice the amount of Family Pension or 50% of last drawn Pay, whichever is less. Family pension at twice the amount will be payable till the date on which the pensioner would have attained 65 years of age or 7 years whichever is earlier. The date upto which the same will be payable is determined as shown below:

Date of birth	Retirement Date	Date of death	Date of attaining the age of 65 years	7 Years after the date of Retirement
05.10.1955	17.11.2009	23.07.2013	04.10.2015	16.11.2016

In this case, legal heirs are eligible for Twice the Family Pension till 04.10.2015 and thereafter only Normal Family Pension only becomes payable.

CASE NO. 3 - FAMILY PENSION IN THE CASE OF MISSING PERSONS

1. Name of the Missing Officer : Mr. Z
2. Date of Birth of the Missing Officer : 14.05.1972
3. Date of Joining the Bank : 10.12.1999
4. Date since Missing : 22.04.2010
5. Age on the date of missing : 38 Yrs
6. Total Service Rendered : 10 Years, 4 Months, 12 Days
7. Whether Age crossed 65 years on the date of missing : No
8. Total Qualifying Service for Pension : 10 Years, 4 Months, 12 days
9. Last drawn pay at the time of Missing : Rs.19600

In the captioned case, the employee is missing and not reported for duty and his whereabouts are not known. As per Central Civil Service Pension Rules, if any person is missing and a FIR is lodged and could not be traced, family pension should be paid to the legal heir after one year from the date of filing FIR.

Determination of Family Pension:

Maximum Family Pension	(A) : Rs. 5930.00
Normal Family Pension	(B) : Rs. 2841.00
Twice the Family Pension	(C) : Rs. 5682.00
50% of last drawn salary	(D) : Rs. 9800.00
Least of (C) and (D)	: Rs. 5682.00

Calculation of Family Pension:

Basic family Pension @ 15% of pay of Rs.19600.00	(A) Rs. 2841.00
Twice the Family Pension	(B) Rs. 5682.00
Add: DA @ 80.25% on (B)	(C) Rs. 4560.00
Total Family Pension (B) + (C)	Rs. 10242.00

Date of Birth	Retirement Date	Date of Missing	Date of attaining 65 Years age	7 Years after date of Missing*
14.05.1972	31.05.2032	22.04.2010	14.05.2037	23.10.2017

* In this case the FIR was filed on 23.10.2010. Hence, legal heirs are eligible for the Twice the family pension till 23.10.2017 and thereafter only Normal Family Pension will be payable.

CASE NO. 4

- Name of the Officer (deceased) : Mr AA
- Date of Birth : 01.05.1984
- Date of Joining the Bank : 05.05.2006
- Date of Retirement : 30.04.2044
- Date of Death : 28.03.2013
- Age on the date of death : 23 Yrs
- Total Service Rendered : 06 Years, 10 Months, 23 Days
- Whether Age crossed 65 years on the date of death : No
- Total Qualifying Service for Pension : 06 Years, 10 Months 23 days
- Last drawn pay at the time of death : Rs.17500

Determination of Family Pension:

Maximum Family Pension	(A) : Rs. 5930.00
Normal Family Pension	(B) : Rs. 2625.00
Twice the Family Pension	(C) : Rs. 5250.00
50% of last drawn salary	(D) : Rs. 8750.00
Least of (C) and (D)	: Rs. 5250.00

Calculation of Family Pension Payable:

Basic family Pension @ 15% of Rs.17500.00	(A) Rs. 2625.00
Twice the Family Pension	(B) Rs. 5250.00
Add: DA @ 80.25% (536 slabs) on (B)	(C) Rs. 4213.00
Total Family Pension	Rs. 9463.00

Date Up to Which Twice the Family Pension Payable:

Date of birth	Retirement Date	Date of death	Date of attaining 65 Years of age	7 Yrs. after the date of Death
01.05.1984	30.04.2044	28.03.2013	01.05.2049	27.03.2020

Legal heirs are eligible for the twice the Family Pension upto 27.03.2020 and thereafter only Normal Family Pension (i.e. Rs.2625 PLUS DA) will become payable.



II. NEW PENSION SCHEME [NPS]

1.0 INTRODUCTION

New Pension Scheme (NPS) is a defined contribution based pension system launched by Government of India with effect from 1st January 2004. As a first step towards instituting pension reforms, Government of India moved from a defined benefit based pension system to defined contribution based pension system. Govt. of India, Ministry of Finance vide Notification F No.5/7/2003, dt 10.10.2003 established Pension Fund Regulatory and Development Authority (PFRDA) to promote old age income security by establishing, developing and regulating pension funds to protect the interest of subscribers. Later, a Bill was introduced towards giving it a legal sanctity and after almost 9 years now the Bill has been passed by the Parliament.

To, begin with, the Govt. of India in exercise of their executive powers adopted National Pension System (NPS) based on the defined contributions in respect of all new entrants to Central Govt. Services (except armed forces) with effect from 1st January 2004. Most of the States have since notified a similar pension system for their entrants.

1.1 Implementation in the Banking industry

As per the agreement dated 27th November 2009 signed by Indian Banks' Association (IBA) representing Bank Managements and United Forum of Bank Unions (UBFU) representing the 9 unions in the banking industry, **a defined contribution Pension Scheme** viz., New Pension Scheme instead of defined benefit pensions scheme was agreed for those who are joining the services of the banks on or after 1st April 2010. The scheme was introduced in all the Banks including our Bank. Accordingly, **all officers and employees who joined the services of the Bank on or after 1st April 2010 are governed by the New Pension Scheme.**

2.0 HOW NPS WORKS:

2.1 Regulator:

PFRDA is the prudential Regulator for the New Pension System (NPS)

2.2 NPS Trust

PFRDA has established the NPS Trust under Indian Trust Act, 1882 and appointed NPS Board of Trustees in whom the administration of the "New

Pension System” vests under Indian Law. The Trust is responsible for taking care of the funds under the NPS. The Trust holds an account with the Bank of India and this Bank is designated as the NPS Trustee Bank.

2.3 Central Record Keeping Agency (CRA)

National Securities Depository Limited (NSDL) has been appointed as the CRA. The record keeping, administration and customer service functions for subscribers of the NPS shall be centralised and performed by the CRA.

2.4 Trustee Bank

Bank of India has been appointed as NPS Trustee Bank. It manages the Pension Funds in accordance with the provisions of the NPS Scheme and the guidelines/notifications, issued by PFRDA. Ministry of Finance and Govt. of India from time to time.

2.5 Pension Funds (PFs)/Pension Fund Managers (PFM):

Appointed PFMs manage the retirement savings of the subscribers under the NPS. The PFMs are required to invest strictly in accordance with guidelines issued by the Govt/PFRDA. The list of approved PFMs are as below:

- ✓ ICICI Prudential Pension Funds Management Company Ltd.
- ✓ IDFC Pension Fund Management Co Ltd.
- ✓ Kotak Mahindra Pension Fund Ltd.
- ✓ Reliance Capital Pension Fund Ltd.
- ✓ SBI Pension Funds Ltd.
- ✓ UTI Retirement Solutions Ltd.

The PFMs will be chosen by the Bank based on their performance. The PFMs are required to invest strictly in accordance with guidelines issued by the Govt/PFRDA.

2.6 Annuity Service Providers (ASPs)

ASPs shall be identified by PFRDA and would be responsible for delivering a regular monthly pension to the subscriber(s).

2.7 Point of Presence (POP)

POP acts as the interface between subscriber and the CRA. POP will perform the functions relating to registration of subscribers by

opening Permanent Retirement Account (PRA), undertaking Know Your Customer (KYC) verification, receiving contributions from subscribers and transmission of the same to NPS Trust Account maintained with the Trustee Bank and maintain records in this account.

2.8 Subscribers

All the officers and employees who join the Scheme by applying are the subscribers. They will have a separate individual Pension Retirement Account Number (PRAN). Even though under the NPS each subscriber will be able to select a professional Pension Fund Manager (PFM) from Pension Fund Managers registered under NPS, in Banks, one single PFM is selected by the Bank.

3.00 Types of Account

a) **Tier I :** Tier-I of the NPS constituting the non withdrawable pension account. The subscriber shall contribute his/her savings for building a retirement corpus till the age of 60.

b) **Tier II:** This is a voluntary savings facility which provides liquidity for subscriber. This means that the subscriber will be free to withdraw his/her savings whenever he/she wishes. To have Tier-II account, the subscriber should have Tier-I account which is a pre-requisite.

4.00 MERITS OF NPS:

4.1 The employer and employee makes equal contribution to the NPS Account of the subscriber. The defined contribution as per the 9th Bipartite Settlement is **“10% of the Basic Pay + Dearness Allowance”**.

4.2 — It is simple. All that is to be done is to open an account with any one of the POP and get PRAN.

4.3 It is portable. Subscriber can operate account from anywhere in the country, even, if he/she changes the city, job or fund manager. Under the old pension scheme those who resign from the job before completion of 10 years will lose the entire contribution of the Management.

4.4 It is regulated. NPS is regulated by PFRDA with transparent investment norms and regular monitoring and performance review of Fund Manager by NPS Trust.

4.5 It is eligible for tax exemption as per I. T. Act, 1961 as amended from time to time.

4.6 Routine periodical disclosure of the fund helps the subscriber to achieve better fund management.

4.7 If subscriber dies, the whole corpus outstanding in his name is available for legal heirs. Legal heirs can either continue to avail Pension or can withdraw the full corpus.

5.00 DEMERITS OF NPS

5.01 At present there is no provision for Temporary/Partial withdrawals.

5.02 Pension on retirement depends on the accumulated corpus, which in turn depend on the yield generated by PFM i.e. Pension is undefined and creates uncertainty.

OLD PENSION SCHEME Vs. NEW PENSION SCHEME - A COMPARISON

OLD PENSION SCHEME	NEW PENSION SCHEME
Defined contribution, Defined Pension	Defined contribution, Undefined Pension
Managed by a Trust of the Bank	Managed by a PFM regulated by PFRDA
Contribution by Employer is only 10% of Basic Pay and other Allowances ranking for PF	Contribution by Employee and matching contribution by Employer is 10% of Basic Pay and other Allowances ranking for PF PLUS Dearness Allowance
No Temporary withdrawals permitted	No temporary withdrawals permitted
If spouse is not alive and children of the predeceased are married or crossed the age of 25 years, Payment of family pension is stopped	Under the NPS the nominee or legal heirs are eligible to receive back the corpus outstanding on the date of death of the subscriber
Restrictive clauses: a) Pension is payable subject to future good conduct of the pensioner b) A portion of Pension can be withheld if there is a financial loss, conviction by court, grave misconduct, etc., by Pensioner. c) Competent Authority can order recovery of financial loss due to the acts of Pensioner caused to the Bank.	Since the fund is managed by an outsider, the Bank has no right over the NPS corpus
Family pension is paid till the spouse is alive or to legal heirs	Outstanding corpus can be withdrawn by the legal heirs and can invest in fixed interest bearing securities

III. HOW TO CALCULATE GRATUITY?

OSR: Regulation 46: Every Officer shall be eligible for Gratuity on:

- a. Death
- b. Retirement on attaining the age of superannuation
- c. Disablement rendering him unfit for further service as certified by a Medical officer approved by the Board
- d. Resignation, Voluntary Retirement after completing 10 years of continuous service or
- e. Termination of service after completion of 10 Years of Service.

Quantum: The amount of Gratuity payable to an officer shall be one month's pay for every completed year of service, subject to a Maximum of 15 month's Pay with effect from 01.11.1987. For cases coming under sub clause (a) to (e) of Regulation No.21, gratuity shall be payable at the rate of one month's pay for each completed year of service and proportionately on pro rate for the part of the year of service, not being less than 6 months subject to a maximum of 15 months.

For cases coming under (e) i.e. on retrenchment, the employee shall be entitled to receive Gratuity at the rate of half month's salary for every completed year of service and proportionately on pro rata for the part of the service not being less than 2 months subject to a minimum of 2 month's salary.

Further Provided that where the officer has completed more than 30 years of service, he shall be eligible by way of Gratuity for an additional amount at the rate of one half (1/2) of a month's pay for each completed year of service beyond 30 Years.

Provided further that "Pay" for the purpose of Gratuity of an officer who ceased to be in service during the period 01.07.1993 to 31.10.1994 shall be with regard to Scale of Pay as specified in Sub-regulation (1) of Regulation 4.

Provided also that "Pay: for the purpose of Gratuity of an officer who ceased to be in service during the period 01.04.1998 to 31.10.1999 shall be with regard to Scale of Pay as specified in sub regulation (2) of Regulation 4.

Note: *if the fraction of service completed is beyond 6 months or more, gratuity will be paid prorata for the period.*

Important:

- a. **No forfeiture of gratuity for dismissal on account of misconduct except in cases where such** misconduct causes financial losses to the bank and in that case to that extent only.
- b. Length of service is calculated from the date of initial appointment till cessation.
- c. "Pay" means the average of the full amount of basic pay and special allowance and officiating allowance, if any, payable to an employee during the twelve months immediately preceding death, disability, retirement, resignation, and termination of service. In case of retrenchment, "Salary" means Basic Pay and all other allowances drawn during the month preceding retrenchment.
- d. Notwithstanding above, the Board of Directors of the Bank may, at their entire discretion, sanction gratuity in excess of the prescribed limit in such manner and to such extent as they deem fit.

Calculation of Gratuity

Gratuity Payable under Gratuity Fund Regulations:

Gratuity payable to an officer shall be one month's for every completed year of service subject to a Maximum of 15 months' pay provided that where an officer has completed more than 30 years of service, he shall be eligible by way of Gratuity an additional amount at the rate of one-half (1/2) of a month's pay for each completed year of service beyond 30 years. Pro-rata is payable for part of the year of service not being less than 6 months.

Gratuity Payable under Payment of Gratuity Act, 1972:

Gratuity is payable at the rate of 15 days' wages based on the rates of wages last drawn by the employee concerned.

Note: In the cases of a monthly rated employees, the 15 days' shall be calculated by dividing the monthly rates of wages last drawn by him by 26 and multiplying the quotient by 15). **The maximum Gratuity payable to an employee shall not exceed Rs.10.00 lac w.e.f. 24.05.2010.**

The Gratuity of an employee, whose services have been terminated for any act of willful omission or negligence causing any damage or loss to or destruction of property belonging to the employer shall be forfeited to the extent of the damage or loss so caused.

Gratuity Payable on Retirement on Superannuation:

CASE 1:

1. Name of the Officer	:	Mr. MUTHURAJ
2. Date of Birth	:	02.08.1953
3. Date of Joining the Bank	:	19.01.1983
4. Date of Retirement	:	31.08.2013
5. Age at the time of retirement	:	60 years
6. Total Service Rendered	:	30 Years, 7 Months, 13 Days
7. Last Drawn Pay	:	Basic Pay Rs. 29700.00
		PQA Rs. 1030.00
		FPA Rs. 965.00
		Total Rs. 30910.00

Gratuity Payable under Gratuity Fund Regulations:

Calculation of Gratuity for service up to 30 Years (A)

(Last drawn Basic Pay + FPA + FQA) X No. of Years of Service (Max.15 months Pay per year)

$$\text{i.e.} = (29700+1030+900) \times 15 \quad (\text{A}) \text{ Rs.474450.00}$$

Additional Gratuity for service above 30 Years (B)

Last Drawn Pay X No. of Years of service above 30 (½ of Pay for every year)

$$\text{i.e.} \quad \frac{(29700+1030+900) \times 1}{2} = \text{Rs.15815.00}$$

Total Gratuity Payable (A+B) = Rs.491427.50

Gratuity Payable under Payment of Gratuity Act, 1972

Last Drawn pay (i.e. Basic Pay+FPA+PQA(increment component)+DA) X 15 days pay (15/26) for every completed year of service X 31 Years

$$\text{i.e.} (29700+1030+900)+27334 (\text{DA @ } 88.95\% \text{ FOR AUG})$$

Maximum gratuity payable is restricted to Rs.10.00 lac under the Act and therefore retired employee is eligible for Rs.10,00,000/- only.

Note:

- 1) As per the Gratuity Act, gratuity shall payable either under any approved Funds or the Act, whichever is higher. Gratuity payable in this case will be Rs.10,00,000 lakhs (Max under the Act) as it is more than the Gratuity payable under the Gratuity Fund regulations.
- 2) **Please note that gratuity amount received upto Rs.10.00 lac is fully exempt from income tax under the Income Tax Act.**

IV. ENCASHMENT OF PRIVILEGE LEAVE

As per OSR, encashment of unavailed privilege leave accrued to the employees account at the time of superannuation is permitted. If an employee dies while in service, his/her legal heirs will be paid encashment amount for the number of days of privilege leave accrued to his credit at the time of death. Since the PL can be accumulated upto a maximum of 240 days, the PL can be encashed as above upto a maximum of 240 days.

Pay for the purpose of encashment means the aggregate of Basic Pay, Dearness Allowance, House Rent Allowance, City Compensatory allowance, Professional Qualification allowance, and any other allowance drawn by an officer employee which is of a permanent nature. If the officer is provided with a leased quarters, i.e residential accommodation, notional HRA will be taken into account.

Amount of Leave Encashment received in the hands of recipient is exempted from Income Tax only upto Rs.3.00 lac.

CASE 1

1. Name of the Officer : Mr. MUTHURAJ
2. Date of Birth : 02.08.1953
3. Date of Joining the Bank : 19.01.1983
4. Date of Retirement : 31.08.2013
5. Age at the time of retirement : 60 years
6. Total Service Rendered : 30 Years, 7 Months, 13 Days
7. Privilege Leave at his credit : 240 Days

Calculation of Leave Encashment:

Last Drawn Salary X No. days Leave in PL A/c /30

Last Drawn Salary:

Basic Pay	(a) Rs. 29700.00
Dearness Allowance at 88.95% on (Rs.29700+Rs.1030)	(b) Rs. 27494.00
City Compensatory Allowance	(c) Rs. 375.00
Professional Qualification Allowance	(d) Rs. 1030.00
Fixed Personal Allowance	(f) Rs. 965.00
Notional HRA at 6.5% on (a+d+f+) Rs.31695.00	(g) Rs. 2060.00

Total Salary

Rs. 61624.00

If the retired employee was on loss of salary partly or fully during the last month in which he retired from service, the previous month in which he had drawn the full salary will be reckoned for the above calculation.

Leave Encashment = Rs.61624 x 240 /30 = **Rs.492992.00**

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