

No.8(3)/86/A/D(Pension/Services)
Government of India/Bharat Sarkar
Ministry of Defence/Raksha Mantralaya

New Delhi, Dated the 19th February, 1987

To

The Chief of the Army Staff
The Chief of the Naval Staff
The Chief of the Air Staff

Subject:- Grant of pro-rata pensionary benefits to the Commissioned Officers of Defence Services on permanent absorption in Central Public Enterprises.

Sir,

I am directed to say that in supersession of this

1. F.49/15(6)/73/D(Pension/Services)
Dated 22.8.75

2. 32(1)/77/D(Pension/Services)
Dated 10.4.78

3. 6(1)/81/D(Pension/Services)
Dated 12.7.82 as amended vide
Corrigendum Dated 13.5.86

4. 49(15)/6/73/D(Pension/Services)1126/
A/D(Pension/Services) dated 27.5.83 and
its Corrigendum No.49/15/6/73/D(PS) Vol.
III/1/A/D(Pension/Services)dated 12.1.84

5. 32(4)/78/2032/B/D(Pension/Services)
dated 1.11.80

6. 32(4)/78/782/B/D(Pension/Services)
dated 22.4.85

Ministry's marginally noted letters on the above subject, grant of pro-rata pensionary benefits to the Commissioned Officers of the Defence Services on their absorption/Appointment in Central Public Enterprises under the control of the Department of Defence Production or other civil Ministries, will henceforth be regulated in accordance with the provisions of this letter.

2. The provisions of this letter will apply to those who:

(i) While on deputation to Central Public Enterprises exercise an option for permanent absorption and are discharged/permitted to retire prematurely from Defence Services for this purpose.

(ii) are appointed in Central Public Enterprises on the basis of their own applications sent through proper channel in response to advertisements and are permitted to retire prematurely from service in the Defence Services for the purpose of taking up the appointment in the Enterprises.

3. Officers with not less than 10 years' qualifying service will be entitled to receive pro-rata pension worked out according to the methods given in Annexure 'A' to this letter.

Contd.....2/-

illustrative examples as regards the method of calculation of pro-rata pension are also given in the Annexure.

4. Death-cum-Retirement gratuity, based on the length of qualifying service of an absorptee till the date of his absorption will be admissible, as calculated under the DCRG Rules applicable to him before absorption.

5. No pension or service gratuity/Death-cum-Retirement gratuity will be payable to those absorbed in an Enterprise with less than 10 years of service.

6. Every absorptee will be required to exercise an option within six months of his absorption for either of the alternatives indicated below:-

(a) Receiving pro-rata monthly pension and Death-cum-Retirement gratuity as admissible under the rules.

(b) Receiving Death-cum-Retirement gratuity and a lumpsum amount in lieu of monthly pro-rata pension, worked out with reference to the Commutation tables as obtaining on the date on which commuted value becomes payable.

Where no option is exercised within the prescribed period the officer is automatically governed by alternative (b) above.

7. An absorptee opting for alternative (a) above, will be entitled to commutation of a portion of his pension as admissible in accordance with the normal rules.

8. Where an absorptee opts, or is deemed to have opted for alternative (b) on account of his failure to exercise any option within the prescribed period, payment of the lumpsum amount will be authorised based on the findings of the Release Medical Examination/Board, provided it is held within one year of the effective date of retirement. In this regard, the same procedure, which is adopted for commutation of a portion of pension, will be followed.

9. Reduction in the amount of pension consequent upon the exercising of option for either of the two alternatives referred to above, would become operative from the date of receipt of commuted value of pension by the pensioner or three months after the issue of the authority letter by the Pension Sanctioning Authority directing the pensioner to collect the commuted value of pension, whichever is earlier.

10. The family of an absorptee would be eligible for benefits under the ordinary family pension scheme, applicable to him before absorption, provided he is not compulsorily covered by any other similar scheme applicable to the staff of the Enterprise in which he is absorbed.

11. The benefit of ordinary family pension scheme will be admissible only if an absorptee was actually in receipt of pension from the Central Government or had opted for payment of a lumpsum amount in lieu of pension on absorption in an Enterprise. This benefit will not be admissible to the family

Contd.....3/-

if one is absorbed in an Enterprise before completion of 10 years of service.

12. Monthly pro-rata pension/Death-cum-Retirement gratuity/commuted value of a portion of pension or a lumpsum amount in lieu of monthly pro-rata pension will be notified by the Pension Sanctioning Authorities after Government sanctions the pro-rata pension under the provisions of this letter. Ordinary family pension will also be notified jointly with the pro-rata pension in eligible cases. However, before notifying the pensionary awards it will inter alia be ensured by the Pension Sanctioning Authorities that Leave Salar/Pension Contribution for the deputation period if any, has been received by the Pay Accounts Officer/Controller from the concerned Enterprise.

13. In case an absorptee happens to be a widower with minor eligible children or where he opts to draw a lumpsum amount in lieu of monthly pro-rata pension, family pension will be notified by the Pension Sanctioning Authority on receipt of an application from the eligible heirs as and when the contingency arises.

14. Any liberalisation of pension/gratuity and other rules as decided upon by the Government of India in respect of Officers and applicable from a date after the permanent absorption of an absorptee would not be extended to him.

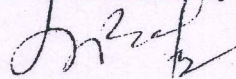
15. The lumpsum payments will not be subject to deductions of income tax as per the existing orders. However, in this regard absorptees will be governed by the orders issued by the Central Board of Direct Taxes or any other Competent Authority from time to time.

16. This letter takes effect from 6.3.85 i.e. it will be applicable to those Officers who are absorbed permanently on or after 6.3.85.

17. Pension Regulations of the three services will be amended in due course.

18. This issues with the concurrence of the Finance Division of this Ministry vide their u.o. No. 4787-Pen of 1986.

Yours faithfully,



(SHIV RAJ NAFIR)

Deputy Secretary to the Govt. of India

Copy forwarded to:-

The Controller General of Defence Accounts - 20 copies
The Director of Audit, Defence Services - 10 copies
Service Headquarters
Army Headquarters.....AG/PS4-10 copies
MS Branch - 2 copies

Contd.....4/-

Naval Headquarters.....PP&A - 10 copies
DOP - 2 copies

Air Headquarters.....PP&R - 3 10 copies
DPO - 2 copies

5 copies each(including one signed in ink) to:-

The CDA(Pensions), Allahabad
The CDA(Navy), No.1, Cooperage Road, Bombay-400039
The CDA(Air Force), 107, Rajpur Road, Dehradun
The CDA(AF), Subroto Park, Delhi Cantt.
The CDA(PD), D-I Block, Sena Bhawan, New Delhi
Copy also to:- B.P.E./Deptt. of Pers &Trg; Deptt. of Pension
& PW.

Internal Distribution

D(N-II); D(Air-III); D(MS/IS); D(PS/Coord); D(AG); D(Pay/Sers);
D(Civ-II); D(Pen-C); D(Pen-A); D(Pen-A/C); D(Res); DFA(AG);
DFA(Navy); DFA(AF); DFA(DP&S) - 2 copies each.
DFA(MO)/DFA(GS)

Method of Calculation of Pro-rata Pension

A. For officers who at the time of their absorption in an Enterprise have qualifying service of 20 years or more

1. The first step would be to determine the amount of pension related to 33 years' qualifying service by applying the following slab formula:-

- i) 50% of the first Rs.1000/- of the reckonable Emoluments
- ii) 45% of the next Rs.500/- of the reckonable emoluments
- iii) 40% of the balance amount of the reckonable emoluments

(Reckonable Emoluments in the case of officers would consist of the maximum of the pay scale of the rank held by an officer for a period of not less than 10 months before retirement, plus Dearness Pay and Interim Relief, if any, related to the maximum of the Pay Scale. The Dearness Pay and Interim Relief will be reckoned in accordance with the relevant orders issued by Government in this regard.)

2. The amount so calculated will be proportionately reduced by relating it to the standard period of service of the rank as follows:-

$$\frac{\text{Amount of Pension related to 33 years}}{33} \times \text{Standard period of service of the rank}$$

3. Pro-rata pension will be subject to further deductions for any short fall in the standard period of service in accordance with Reg 30 of Pension Regulations for the Army, 1961 (Part I) and equivalent provisions in the Pension Regulations for the Air Force, 1961 (Part I) and Navy(Pension) Regulations.

Illustration

4. Pro-rata pension of a Lt. Col(Sel) absorbed in an Enterprise on 01 May 1985 after years' total qualifying service with 10 months service in the rank:-

20	<u>Reckonable Emoluments</u>	Rs. P	<u>Standard Period of Service</u>
	Maximum of Pay Scale	= 1950	24 years
	Dearness Pay (upto index level 568)	= 1599	
	(1270+329)		
	Interim Relief	= 275	
	(80+195)		
	Total	<u>3824</u>	

Pension for 33 years

i)	50% of the first Rs.1000	=	500.00
ii)	45% of the next Rs.500	=	225.00
iii)	40% of the balance of	=	929.60
	Rs.2324	Total	<u>= 1654.60</u>

Pension for standard period of service i.e. 24 years = $1654.60 \times 24/33 = 1203.35$
 = 1204 (rounded whole rupee)

Deduction for 4 years' shortfall in rank service x 1204.00

For the first year @ Rs.45/-(-) 45.00
 For the second year @ Rs.35/-(-) 35.00
 For the 3rd year @ Rs.35/-(-) 35.00
 For the 4th year @ Rs.35/-(-) 35.00

Monthly Pro-rata pension = Rs.1054.00

B. For officers who, at the time of their absorption in an Enterprise have qualifying service of less than 20 years but not less than 10 years

5. In these cases pro-rata pension will be worked out on the basis of following formula:-

Actual service rendered by the officer x Pension Entitlement at the end of 20 years of service

20

6. Pension entitlement at the end of 20 years of service will be determined by first working out the pension related to the standard period of service of the rank for which pension is admissible and then applying the rate of deduction as per Pension Regulations for the number of years by which the standard period of service exceeds 20 years.

Illustration

7. Pro-rata pension of a Major absorbed in an Enterprise on 1.5.85 after 18 years' total qualifying service with not less 10 months' service in the rank:-

<u>Reckonable Emoluments</u>	Rs. P	Standard period of service = 22 years
Maximum of the pay scale	= 1800	
Dearness Pay (upto index level 568) (1270+206)	= 1476	
Interim Relief (80+180)	= 260	
	= <u>3536</u>	

Pension for 33 years @

i) 50% of the first Rs.1000/- = 500.00
 ii) 45% of the next Rs.500/- = 225.00
 iii) 40% of the balance Rs.2036/- = 814.40

Total = 1539.40

Contd....7/-

Pension for standard period of service i.e. 22 yrs

= 1539.40 X 22/33 = 1026.27

= 1027 (rounded to whole rupee)

Pension entitlement at the end of 20 years

1027.00

Deduction for the first year @ Rs.35/- (-)

35.00

992.00

Deduction for the 2nd year @ Rs.30/-

30.00

962.00

Pension for 18 years

= 962.00 X 18/20 = 865.80

Monthly pro-rata pension

= 866.00

8. The standard period of service for various ranks and the rate of deduction are recapitulated below for ready reference

<u>Rank</u>	<u>Standard period of service</u>
Lt	20 yrs
Capt	20
Maj	22
Lt Col (Time Scale)	26
Lt Col (Selection)	24
Col	26
Brig	28
Maj Gen	30
Lt Gen	30

Rates of deduction

Retiring pension
Rs. p.m.

Rate of deduction
Rs. p.m.

200 and below	2.50
201 to 300	5.00
301 to 400	10.00
401 to 600	15.00
601 to 750	20.00
751 to 1000	30.00
1001 to 1200	35.00
1201 to 1500	45.00
1501 to 2000	60.00
2001 to 2500	75.00
2501 to 3000	85.00

Note:- Deductions are to be made successively until the number of deductions due to be made has been completed, and each deduction in turn shall be at the rate appropriate to the amount remaining after the preceding deduction.