

NEW PENSION SCHEME

INTERIM ARRANGEMENTS

Operational overview and
implementation issues

Salient features of New Pension Scheme

- Applicable to Govt. servants joining service on or after 1-1-2004.
- Does not cover Armed Forces.
- The new scheme will be a defined contribution scheme as against the present defined benefit scheme.
- Existing Pension scheme and GPF will no longer be applicable for new entrants.
- Contains two Tiers- Tier I and Tier II.
- Pension Fund Development Regulatory Authority (PFDRA) to be appointed to regulate and develop the pension market.

Salient features of New Pension Scheme – Contd.

- Tier I
 - # It is compulsory
 - # Employee's contribution @ 10% of pay + DA+DP
 - # Matching contribution by Govt.
 - # Cannot be withdrawn during service.
 - # Payment only at the time of exit or after 60 years.
- Tier II
 - # Is optional.
 - # No ceiling on the contribution by govt. employees.

Salient features of New Pension Scheme – Contd.

No contribution by the Govt.

Can be withdrawn at any time.

- Funds deposited under both Tier I & II will be invested and returns thereof reinvested in the funds.
- Central Record Keeping Agency (CRA) and Pension Fund Managers to be appointed.

INTERIM ARRANGEMENTS

- Till the regular PFDRA, CRA and Fund managers are appointed:
 - # Only Tier I will be operational.(Non withdrawable)
 - # Contributions to be retained by Govt. in Public Account of India.
 - # Interest will be given as applicable under GPF.
 - # Central Pension Accounting Office (CPAO) will function as interim CRA for Government of India.

Key Offices involved in implementation process in the Civil Ministries

- Drawing and Disbursement Officer (DDO)/
Cheque Drawing and Disbursement Officer
(CDDO).
- Pay and Accounts Office (PAO).
- Principal Accounts Office (Pr.AO).
- Central Pension Accounting Office (CPAO)

Flow of information

Demographic information of Govt. servants

From	To		Prescribed date
Govt. Servant	DDO/ CDDO	Personal Details in prescribed form.	Immediately on joining service
DDO/ CDDO	PAO	Consolidated demographic information in prescribed form	7 th of following month
PAO	DDO/ CDDO	Personal Details after allocating PPAN (Copy)	10 th
PAO	Pr.AO	Consolidated demographic information in prescribed form	12 th
Pr.AO	CPAO	Consolidated demographic information	15 th

Flow of information

Data on contributions

From	To		Prescribed date
DDO/ CDDO	PAO	Bills with schedules to be submitted	Before 20 th of the month
PAO	Pr.AO	Consolidated information on contributions	12 th of the month following the month to which the credit pertains
Pr.AO	CPAO	Consolidated information on contributions	15 th of the month following the month to which the credit pertains

Role Of DDO/ CDDO

- Will obtain demographic information of the new entrants and forward it to PAO on a monthly basis.
- Permanent Pension Account Number (PPAN) will be allotted by PAO for the new entrants and sent to DDO/CDDO.
- Will maintain a separate Pay Bill Register for new entrants.
- Will prepare and submit separate Pay Bills for the new entrants along with Schedule of recovery to the PAO.

Role Of DDO/ CDDO – contd.

- CDDO will not draw the Pay Bills in respect of new entrants.
- Will prepare and submit separate Bills for Government's contribution.

Role of PAO

- Allot unique PPAN to all new entrants on receipt of demographic information from DDOs.
- Forward consolidated demographic information of all DDOs/CDDOs under him to Pr.AO.
- Pass salary bills of all new entrants (i.e. including those under CDDOs) and bills for Government's contribution.
- Book the contributions under Public Account of India and maintain individual ledger account as done for GPF.

Role of PAO – contd.

- Forward consolidated information on contributions to Pr.AO.
- On receipt of monthly report on missing credits and mismatches from Pr.AO, the PAO take necessary action for reconciliation.

Role of Pr.AO

- Consolidate the demographic information received from all PAOs under him and forward to CPAO.
- Consolidate the information on contribution for the month and forward it to CPAO.
- On receipt of monthly report on missing credits, mismatches from CPAO, the Pr.AO will forward to concerned PAOs for reconciliation and on receipt of the reconciled report submit it to CPAO.

Role of CPAO

- On receipt of demographic information from Pr.AOs of Civil ministries and nodal offices of non civil Ministries (eg. Railways, Post etc) it will be fed in to their database.
- On receipt of information on contributions, will be fed in to their system.
- Will generate a monthly report on missing credits and mismatches and forward it to the Pr.AO for reconciliation.
- Will annually report details of balances PAO-wise to Pr.AO for reconciliation with the PAO.

Contributory Pension Fund Management System

- A software CPFM has been developed by the NIC for use in PAOs/Pr.AOs of Civil Ministries.
- All demographic and contribution informations are fed in to this software by the PAOs and then consolidated by the Pr.AOs.
- The consolidated information generated by the Pr.AOs is then sent to the CPAO in a floppy.
- This information is taken as an input by the CPAO in to their software and entered in their database.
- The CPFM is being used in all Ministries/Depts. as only data in electronic form in the prescribed format is generated by CPFM is accepted by the CPAO.

Important Guidelines for implementation of NPS

- Contribution to commence from the 1st of following month.
- No amount will be repaid during the Interim period.
- 'NIL' report to be furnished monthly for demographic and contribution information by PAOs where there are no new entrants.
- Monthly and Annual reconciliation between CPAO and PAOs a must.

Important Guidelines for implementation of NPS

– contd.

- In the event of transfer of Govt. servant, balances will not be transferred from one PAO to another.
- DDO will indicate the recovery particular in the LPC.
- Pr.AO will submit consolidated information in Civil Min./Dept. to CPAO.
- Railways, Defence, Posts and Telecom will send consolidated information in r/o their Min./Dept. from a Nodal Office to CPAO.

Alloting of unique PPAN

The PPAN will have 16 digits as given below :

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Calendar Year

**Civil/
Defence/
Posts/
Railways/
Telecom.**

PAO CODE

Serial No.

Problems encountered

- There is no mechanism to check if a DDO/ CDDO omits to communicate to the PAO about the joining of a new entrant. Government of India has roughly 4000 DDO/ CDDOs on the Civil side and hence it is very essential that all these DDOs/ CDDOs are made aware of their duties and responsibilities.

- To overcome the above problem we have instructed our PAOs to conduct workshops of the DDOs/ CDDOs under their jurisdiction.
- We have also instructed all Ministries that the Internal Audit parties should verify these facts when they go on their regular audit of DDOs/ CDDOs.

Problems encountered --Contd

- We have also encountered software problems with the different offices unable to send electronically the data of new entrants and their monthly contributions. Regular monitoring meetings are being held and simultaneously the software bugs are also being taken care of. Presently we are insisting on a quarterly reconciliation between the CPAO and the Principal Accounts Office of the Civil Ministries and also between CPAO and Railways, Defence, Post & Telecom. Once the software problems are taken care of, we presume the reconciliation would no longer pose a problem.

FAQs

Queries	Replies/ comments
Whether retirement gratuity is available to the new entrants.	Referred to Ministry of Finance, Department of Economic Affairs. Reply awaited
What benefits will the Govt. servant get in the event of death in service	
When individual is on long leave/HPL/ EOL/ Suspension , how contributions are to be recovered.	
Whether contribution to Tier-I is taken as income for the purpose of calculation of Income Tax.	

FAQs – contd.

Queries	Replies/ comments
Can an individual continue to contribute under tier –I after the age of 60 years.	Referred to Ministry of Finance, Department of Economic Affairs. Reply awaited
What would be the mandatory annuitisation for the Govt. servants who retire on superannuation at the age of 57.	
Whether personnel of Para Military Forces being part of armed fore will be governed by the New Pension Scheme or not.	Referred to D/o P&PW. Reply awaited
How State Government employees appointed in Central government are to be treated	Referred to Deptt. of Personnel, Public Grievances and Pensions. Reply awaited.

FAQs – contd.

Queries	Replies/ comments
Whether contribution to Tier-I from arrears of DA is to be deducted	Yes
Who will calculate the interest-PAO or CPAO?	CPAO
Whether the NPS is applicable for the officials initially appointed on daily wages and later conferred 'temporary status' and contributing towards GPF and whose services are regularized on or after 1-1-2004.	The daily wagers who have been regularized after 1.1.2004 will be covered under the NPS
What happens if an employee gets transferred during the month? Which office will make deduction of contributions?	The recovery of contributions will be made by the office who will draw salary for the maximum period.

FAQs – contd.

Queries	Replies/comments
Whether the non-practicing allowance (NPA) payable to medical officers will count towards 'pay' for the purpose of working out contributions to NPS?	Yes. Ministry of Health & Family Welfare has clarified vide their O.M. no. A45012/11/97-CHS.V dated 7-4-98 that the Non-practicing Allowance shall count as 'pay' for all service benefits.
Whether a government servant who was already in service prior to 1-1-2004, if appointed in a different post under GOI will be governed by the CCS (P) Rules or NPS.	Since the government servant had originally joined government service prior to 1-1-2004, he should be covered under the CCS (Pension) Rules, 1972 and not NPS.
Whether the NPS is applicable for employees of autonomous bodies/aided institutions.	Yes