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## Invest India Regional Round Table

# States Role in Promoting Formal and Informal Sector Co-contribution Pensions in India.

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May 01, 2008

- Civil Service Co-contribution Pension Scheme
  - Rajasthan
  - Other States
- Issues for Existing Defined Benefit Pension Scheme
- Incentivising Unorganised Workers for Individual Co-contribution Pension Accounts
  - Rajasthan
  - Other States

## *Civil Service Co contribution Pension Scheme- Rajasthan*

- Made applicable from Jan. 1, 2004
- All new state government & local bodies employees covered under the Scheme.
- Also applicable to PSUs, Societies, Universities not covered under Employees' Provident Fund Act
- No GPF, No Gratuity
- No Family Pension
- Mediclaim Insurance Policy in place of medical reimbursement

# Civil Service Contribution Scheme- Implementation Status (as on 31<sup>st</sup> February 2008)

## ■ Employees under NPS

– Total	49167
– All India Services	29
– State Government	48842
– Autonomous organisations	296

## ■ Collection Status

– Employees' contribution	118.34 crore
– Employers' contribution	117.56 crore
– Interest credited	23.80 crore
– Total Corpus	259.71 crore

- Accumulations expected to have crossed Rs. 275 crore by 31<sup>st</sup> March 2008

## *Status in Other States*

- All but three states of Kerala, West Bengal and Tripura have joined or intend to join New Co-Contribution Scheme for their civil servants
- States are by and large adopting Government of India scheme but there are variations
- States which have adopted NPS are at different stages of contribution collection, making government contribution, creating and maintaining databases of employees and their pension wealth
- Very few states have individual pension accounts

## *Issues in adopting PFRDA recommended architecture- CRA, PFM, Trustee Bank*

- Complex Arrangement for transferring Records and Funds to CRA/ Trustee Bank
- Accounts Maintenance and Transactions Cost is High
- States being asked to bear the transaction and accounts maintenance cost
- Unclear responsibilities for transitional time and funds loss
- Lot of Duplication
- No state level database of state employees or portal under the arrangement

## *Alternative Being Explored*

- Centralised Record Keeping at State Headquarters
  - Receipt of employee contributions in state insurance offices at district treasury headquarters
  - Uploading data to the state headquarter
  - Centralised credit of government contribution and interest
  - Employees to have access to their individual accounts
- Transfer to the Fund Managers directly with returns generated by them to be credited to the individuals accounts.
- Quite a few states interested on account of substantial cost savings and other advantages

## *Defined Benefit Scheme for Existing Employees*

- Defined Benefit Scheme for pre-2004 employees further liberalised by the VI Pay Commission
- Full 50% pension anytime after 20 years of service
- Enhanced pension for pensioners over 80 years of age.
- 80 months of lump sum pension for those leaving civil service between 15 to 20 years
- Expected to increase states pension burden by about 20% and widen the benefits accruing under the defined benefit and contribution schemes for the civil servants.

## *Incentivizing Retirement Savings for Unorganised Workers*

- Rajasthan believes that un-organised workers need to save to create their pension wealth as well
- A scheme, named Vishwakarma Scheme, announced in state's budget 2007-08 to encourage unorganized workers to open their individual retirement pension accounts
- State provides an equal contribution subject to a maximum of Rs. 1000 per year per worker
- A web enabled architecture for Pension contribution collection and data management system being put together
- Planning to bring in municipalities, panchayat samitis, labour department offices, civil society organisations to act as point of opening pension accounts and collection of pension contributions

## *Initiatives by Other States*

- Madhya Pradesh has also announced in the 2008-09 scheme for incentivising unorganised workers.
- Largely on Rajasthan model
- Architecture for implementation being developed.
- There are initiatives for Anganwadi workers and other informal sector workers of government