



CONFEDERATION OF CENTRAL GOVT. EMPLOYEES & WORKERS

1st Floor, North Avenue PO Building, New Delhi – 110001

Website: www.confederationhq.blogspot.com

Email: confederationhq@gmail.com

President: Ravindran B. Nair
09969234999

Secretary General: R. N. Parashar
09718686800 / 09319917295

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Dated – 06.10.2022

To

The Secretary
The Department of Pension & Pensioners' Welfare
New Delhi -110001

Sub: - Anomalies in Commutation of Pension.

Sir,

It is to bring to your kind knowledge and needful action at your end the following in respect of Anomalies in Commutation of Pension, the present commutation table as last revision took place in the year 2008 with an interest rate of 8% compounded annually, The revision is imminent due to lowering in interest rates by the Central Government and LIC especially in last five years, now 14 years is over as every 10 years pay commission is set up and pay scales and other allowances are revised third commutation table is due from 1/1/2018.

Restoration of Commuted Portion of Pension to 12 years from the present 15 years considering interest, risk factor & Life Expectancy of 70 years. In this regard a detailed brief is given below.

1) Revision of commutation table.

There are two commutation tables one table 1 is effective from 1.3.1971 – till 1/9/2008 with an interest rate of 4.75 %.

Second commutation table-2 is effective from 2/9/2008 till now with an interest rate of 8 %.

Commutation tables should be revised every 10 years.

Third commutation table is due from 1/1/2018 with an interest rate of 6.5 %.

Now the Government and LIC itself has lowered the interest rates from the past fifteen years especially in the last five years on small savings and LIC pension policy they should have a new Commutation Table – 3 and Commutation Value with effect from 1/1/ 2018.

The study of various government schemes and its interest rates are given below;

Scheme	Year	Interest rate
Public Provident Fund (PPF)	1/1/2006	8.0%
Senior Citizen Saving Scheme (SCSS)	1/1/2006	9.2 %
National Saving Certificate (NSC) Post office	1/1/2006	11.3 %

Public Provident Fund (PPF)	1/1/2016	8.1%
Senior Citizen Saving Scheme (SCSS)	1/1/2016	8.6 %
National Saving Certificate (NSC) Post office	1/1/2016	8.1 %
Public Provident Fund (PPF)	1/1/2022	7.1%
Senior Citizen Saving Scheme (SCSS)	1/1/2022	7.4%
National Saving Certificate (NSC) Post office	1/1/2022	6.8%
LIC Pradhan Mantri Vaya Vandana Yojana (PMVVY)	1/1/2022	7.4%
LIC Jeevan Shanthi scheme	1/1/2022	6.0%

The Public Provident Fund (PPF) rates from 1/4/1986 to 31/3/2000 was 12% , in the year 2002-03 it was at 9 % the decline in Public Provident Fund (PPF), rates has taken place over the years from 1/3/2002 to 30/11/2011 was 8% . In the year 2016 it was at 8.1 % , in the year 2019 it was at 7.9 % and In the year 2021 it was at 7.1 % . So there are steady decline rates in Public Provident Fund (PPF) interest rates which the Central Government has declared.

A study of the Reserve Bank of India (RBI) repo rate from the past fifteen years shows the repo rate (Interest rate) is lowest in 2020 and 2021 compared to 2006-08.

Year	Reserve Bank of India (RBI) repo rate
2006	6.5%
2016	6.5%
2020	4.4%
2020	4.0%
2022	5.4%

Retirees from 2006 onwards the age of retirement continues to be 60 years. After the 6th CPC, since 1.1.06, the Commutation Factor (CF) has been downgraded from 9.81 to 8.194 for the 61 year old (age next birthday) retirees, thereby reducing the commuted amount by a whopping 16.5%. On top of that, the prescribed rate of interest has been enhanced from 4.75% to 8% p.a. which is an astronomical jump of 68% even in this low interest regime. The interest rates have been slashed by the Government in the last five years by about 30%.

Overall the interest rates have gone down in the past fifteen years, especially in the last five years drastically . Hence there is a need to have a new Commutation Table number 3 with effect from 1/1/2018 considering the LIC interest rates of 6.5 % or The Reserve Bank of India (RBI) repo rate at 4.4 per cent for 2020 whichever is applicable.

The present commutation table as last revision took place in the year 2008 with an interest rate of 8% compounded annually ,Commutation tables should be revised every 10 years, as every 10 years pay commission is set up and pay scales and other allowances are revised, now 14 years are over now revision is due from 1/1/2018.

2) Restoration of Commuted Portion of Pension to 12 years from the present 15 years

Chapter 136 of the report of the Fifth Central Pay Commission, which had recommended reduction of the period of recovery of commuted pension to 12 years from 15 years. This recommendation, it was argued, was unjustifiably and arbitrarily not accepted by the Central Government, though some State Governments like Kerala, Madhya Pradesh, Orissa and Punjab had permitted restoration of full pension after 12 years of commutation.

It is pointed out that the interest charged on various Govt advances like House Building Advance, Car Advance, Festival Advance, Marriage Advance etc. is simple interest and not compound. There is no justification for the Government to recover anything more than what it has advanced to the retirees.

For example The basic pension of Secretaries/DGs who superannuated on or after 1.1.06 at the top of their pay scale (Rs.80,000) was fixed at Rs.40,000. Their commuted pension amount is Rs.15,73,248 with a deduction of Rs.16,000 per month. As per the old CF of 9.81, they would have been entitled to a commuted sum of Rs.18,83,520. Thus, there is a huge drop of Rs.3,10,272 The currently sanctioned principal amount of Rs.15,73,248 is fully recovered in 8.194 years [8.194 x 12 x 16000 = 15,73,248]. If we consider the prescribed interest rate of 8% p.a. as simple interest (reducing interest as principle is already recovered), the total interest works out to Rs.5,10,417. This is recoverable in 2.66 years [510417/16000 = 31.9 months or 2.66 years]. Thus, total recovery period of the commuted amount is = 8.194 + 2.66 = 10.85 years. Even after full recovery, the pensioner keeps on paying for 15 - 10.85 = 4.15 years. Thus, excess recovery = 4.15 x 12 x 16000 = Rs.7,96,800.

This interest rate on commuted value of pension is recoverable in 2.66 years. **Commuted Factor** = Take Example, Age Next birthday is 61 years, then the commutation value is 8.194. Thus, total recovery period of the commuted amount is = 8.194 + 2.66 = 10.85 years. Even after full recovery, the pensioner keeps on paying for 15 - 10.85 = 4.15 years. **Thus, excess recovery is taking place for 4.15 years. We cannot have a risk factor for 4 years as the recovery of the commuted value of Pension is recovered in 10.85 year.**

The risk factors include Mortality rate and life expectancy the Census department has published its data.

The death rate (Mortality rate) of India has witnessed a significant decline over the last five decades from 14.9 in 1971 to 6.0 in 2020. as per the census department data indicates that death rate at all India level has declined from 7.1 to 6.0 in the last ten years, witnessing about 15% decadal decline. The corresponding decline in rural areas is 7.6 to 6.4 (about 16% decline), and for urban areas it is from 5.7 to 5.1 (about 11% decline).

According to the Ministry of Statistics and Programme Implementation of India, across the different age groups from 60 to 85 years and above, the trend indicates a general fall in death rates in the country in the past ten years, Mortality rate 2008 is typically expressed in units of deaths per 1000 individuals per year. Mortality rate among the elderly in India as on 2018 and 2008 , by age group (per 1,000 people is as follows).

Age group	No of deaths per 1000 people as per 2018	No of deaths per 1000 people as per 2008
60 -64 years	19.5	22.5
65-69	31.3	33.5
70-74	47.5	54.3

75-79	66.0	79.4
80-84	106.5	116.9
85-89	174.7	197.4

As per SRS Report for the years 2008, 2013 and 2018, the Age Specific Death Rate of elderly people for the age group 60-64 years has decreased from 22.5 in 2008 to 19.5 in 2018. For age group 65-69 years, age specific death rate has also decreased from 33.5 in 2008 to 31.3 in 2018. Hence for pensioners in the age group of 60 to 70 years the deaths per 1000 is 60 persons that means about 6% mortality rate in 2018 compared to about 7% in 2008.

Hence it is very clear that about 6% of the Pensioners who are in the age group of 60 years to 70 years only have died. . The risk factor is very less for those adopted for Commutation of Pension. The death rate is only more in 75 plus years .

The commutation provisions have not kept up with time as the life expectancy has increased , life expectancy in India has risen from 59.6 years in 1990 to 69.7 years in 2019, as per the The OFFICE OF THE REGISTRAR GENERAL & CENSUS COMMISSIONER, INDIA MINISTRY OF HOME AFFAIRS GOVERNMENT OF INDIA NEW DELHI The Sample Registration System (SRS) of the Office of Registrar General & Census Commissioner, India brings out Abridged Life Tables annually, has also published SRS-Abridged_Life_Tables_2015-2019.pdf Expectation of life at birth for India has been estimated at 69.7 years for the period 2015-19, exhibiting an increase of 0.3 years from 2014-18. The life expectancy in the year 2008 was only 65.3 years. Hence the life expectancy has increased in the last 15 years at 0.3 per year.

The government servants life expectancy as per WHO statistics is 77 years. Government servants have a much higher life expectancy than the national average. Hence restoration of the commuted value of pension should be done after 12 years instead of 15 years at present.

Since already the Employees / Pensioners are paid less amount as the interest for commutation amount is deducted already at the time of making commutation payment through a commuted factor, there is no point for restoration of the Commuted Portion of Pension after 15 years. **Restoration of the Commuted Portion of Pension should ideally be done after 12 years for all pensioners taking into account risk factors of higher life expectancy of 70 years and also higher interest of 8% is deducted at the time of making payment of commutation instead of 6.5%.**

I hope the Department of Pension & Pensioners' Welfare consider the above and issue suitable orders.

Thanking you,

Yours faithfully,



(R. N. Parashar)
Secretary General

Copy to: -

The Secretary, Staff Side, National Council (JCM), 13-C, Ferozeshah Road, New Delhi-1 10001 for kind information and necessary action.