Sixth Pay Commission: Pensionary benefits of Defence Forces Personnel

Retiring Pension for Commissioned Officers

5.1.56 Pension of Commissioned Officers is fixed on the basis of average emoluments drawn during last 10 months. Pension is paid at the rate of 50% of the average emoluments. Minimum qualifying period of service is 20 years and full pension is payable on completion of 33 years of qualifying service. These rules are identical to those prevailing in case of civilians. Higher weightage of 3 to 9 years (civilians are allowed weightage of upto 5 years) is given to officers to compensate for truncated career. Weightage is given to the extent the prescribed age of superannuation for the post falls short of 60 years. Defence Forces have proposed that officers should be paid pension at the rate of 50% of the maximum of the scale attached to the rank from which they retire. The Commission has recommended payment of pension at the rate of 50% of the last pay drawn or the average emoluments, whichever is higher, irrespective of the number of qualifying years of service completed (subject to completion of 20 years of qualifying service). All reference to full pension being payable only on completion of 33 years of qualifying service are proposed to be removed. **No justification, therefore, remains for allowing any weightage. Further, in the scheme of running pay bands and grade pay, the pension cannot be paid at the maximum pay attached to the post.**

The Commission recommends accordingly. ***Commutation of pension***

5.1.57 Commissioned Officers are allowed commutation of pension to the extent of 43%. The Fifth CPC, while increasing the amount of pension available for commutation in case of civilians from 33% to 40%, maintained the percentage for Commissioned Officers at 43%. The Defence Forces have desired that this amount be increased to 50%. The demand is justified. **The Commission, accordingly, recommends that maximum allowable commutation of pension in case of Commissioned Officers should be increased to 50%. Similar dispensation should also be extended in case of PBORs who are presently allowed to commute 45% of their pension.** Presently, commuted pension is restored on completion of 15 years as in the case of civilians. Defence Forces have proposed that the period of restoration should be reduced to 12 years. Similar demand was made by many civilian employees/associations but the same has not been found acceptable as the commuted value computed with reference to the extant commutation table was not fully recoverable even after a period of 15 years. A revised commutation table is being proposed which is also based on the premise that commuted portion of pension would be restored after a period of 15 years **The period of 15 years may, therefore, need to be retained for civilians as well as the Defence Forces.**

One Rank One Pension

5.1.58 One Rank One Pension has been demanded for all exservicemen. The Fifth CPC had already granted full parity between pre and post 1/1/1986 pensioners and a modified parity between pre and post 1/1/1996 pensioners. Identical dispensation was given to the civilian employees as well as Defence Forces personnel. No change is proposed in the existing dispensation either in case of civilians or Defence Forces. **Hence, extant provisions may continue**.

Qualifying service for getting second pension

5.1.59 Presently, qualifying service for receiving second pension in case of ex-servicemen employed in Defence Security Corps (DSC) is 15 years. A demand has been made to reduce this period to 10 years. The Commission is recommending lateral movement of Defence Forces personnel to CPMFs/defence civilian organizations, including DSC, which will ensure a long tenure for these personnel. Further, with removal of any linkage of payment of full pension with qualifying service of 33 years, the necessity of liberalizing provisions for second pension may not really exist. **No further liberalization is, therefore, necessary in this regard.**

Retiring Pension for PBORs

5.1.60 Pension is payable at the rate of 50% of the reckonable emoluments. Full pension is payable on completion of 33 years of qualifying service. Since, PBORs have truncated careers, in their case; the reckonable emoluments are taken as maximum of the pay scale attached to the rank including 50% of the classification pay. Pension is payable after minimum qualifying service of 15 years. Weightage of 5 to 10 years is allowed. The Defence Forces have made following proposals in respect of PBORs pension:-

• Pension to be paid at the rate of 75% of the maximum of the scale in case of PBORs retiring upto age of 55 years and at the rate of 50% for those retiring after the age of 55 years.
• Whole of classification pay to be included for computing pension. Existing weightage have been demanded to be enhanced as under:-

Rank in army/equivalent ranks in other services	**Present Weightage (Years)**	**Weightage Demanded (Years)**
Sepoy	**10**	**14**
Naik	**8**	**11**
Havaldar	**6**	**9**
Naib Subedar	**5**	**8**
Subedar	**5**	**8**
Subjedar Major	**5**	**8**

5.1.61 The Commission has recommended payment of pension at the rate of 50% of the emoluments irrespective of whether 33 years of service has been completed or not. While the pension in case of PBORs should continue to be paid on completion of qualifying service of 15 years, no rationale would continue to exist for paying their pension with reference to maximum of the pay scale or of giving them any additional weightage. In any case, in the revised scheme of running pay bands, fixing a maximum pay for any particular rank is not possible. Further, with lateral movement of Defence Forces personnel to CPMFs etc., additional weightage is not really necessary. The benefit being recommended for civilians that the pension would be based either on the pay last drawn or the average emoluments for last 10 months, whichever is more beneficial, would, however, need to be extended to the Defence Personnel as well. **The Commission, accordingly, recommends that the pension of PBORs on completion of 15 years or more of reckonable service should be computed at the rate of 50% of the pay last drawn or the average emoluments, whichever is more beneficial, without any additional weightage being allowed. Military Service Pay would be counted for pension. Whole of classification pay may also be included for purposes of computing pension. This recommendation will take effect retrospectively from 1/1/2006 because the running pay bands shall take effect from this date. Therefore, the maximum of a pay scale will cease to have any relevance from this date. Consequently, the recommendation will need to be made effective for PBORs from 1/1/2006.** The following table reveals that the pension payable even to the PBORs who retire only after 15 years of service would also increase substantially under the revised dispensation now being proposed:- *(Rs.per month)*

Post	**Pension as per existing rules * (basic pension + DP + DR +)**	**Minimum Revised Pension**	**Increase X Group**
Sepoy	3319	5335	2016
Naik	3319	5620	2301
Havaldar	3380	6215	2835
Naib Subedar	4673	8320	3647
Subedar	5518	9375	3857
Subjedar Major	5665	9910	4245

Post	**Pension as per existing rules * (basic pension + DP + DR +)**	**Minimum Revised Pension**	**Increase YGroup**
Sepoy	3083	4330	1247
Naik	3096	4680	1584
Havaldar	3096	5035	1939
Naib Subedar	4588	7490	2902
Subedar	5254	8545	3291
Subjedar Major	5383	8775	3392

* As on 1.1.2006 for a PBOR retiring after 15 years of service. The actual benefit for PBORs with more than 15 years of service will be higher.

Pension for Honorary Ranks

5.1.62 Presently, Havaldars on getting the rank of Honorary Naib Subedar are given an additional pension of Rs.100. As against this, JCOs after becoming Honorary Officers get pension as per the existing formula on the basis of pay attached to the post of Honorary Officer. Defence Forces have proposed that the pension of Honorary Naib Subedars may also be fixed, accordingly, on the basis of pay attached to the rank. The proposal is inherent in the revised scheme of pay bands being proposed. A Havaldar, on promotion as Honorary Naib Subedar will be eligible for pension with reference to the salary drawn/drawable in the rank of Naib Subedar. Further, pension is now payable with reference to either 10 months average emoluments or the last pay drawn, whichever is beneficial. **In light of these changes being recommended, pension for all Honorary ranks of Naib Subedar will henceforth be payable by taking this placement as a regular promotion to the higher grade wherein benefit of fitment in the pay band and the higher grade pay will be taken into account for purposes of fixation of pension.**

Family Pension-Existing position

5.1.63 Family pension is payable to family or dependents upon death of a servicemen whether in service or after retirement. Ordinary Family Pension at the rate of 30% of last pay drawn is payable in cases of death due to causes neither attributable to nor aggravated by military service. Ordinary Family Pension is admissible at enhanced rate of 50% for duration of 7 years after death or till 67 years of age, whichever is earlier. Enhanced rate cannot, however, exceed service pension or notional service pension of the deceased. Widowed daughters are authorized Ordinary Family Pension for life whereas unmarried daughters are allowed Ordinary Family Pension till the age of 25 years.

Proposals regarding Ordinary Family Pension

5.1.64 Defence Forces have made following suggestions regarding ordinary family pension :-

- Rate of Family Pension payable to widow should be increased to 40% of the maximum of the scale till the time the deceased employee would have attained the age of 60 years. Thereafter it may be paid at 30% as at present.
- Duration of enhanced rate of family pension should be increased to 15 years.
- Stipulation limiting enhanced rate of ordinary family pension to service pension be removed.
- Family pension to widows should be continued even after their re-marriage. If she abandons her children, the pension should pass on to the children collectively.
- Ordinary family pension should be paid to unmarried daughters for life.
- Families of persons drawing two pensions should be authorized to draw 2 family pensions.
- Families of those dying during trials of indigenous developed weapon systems and ammunition should be authorized liberalized family pension.

Analysis of proposals on Ordinary Family Pension

5.1.65 Provisions regarding Ordinary Family Pension are same for civilians and Defence Forces personnel. The Commission has recommended that in case of Government employees dying in harness, family pension shall be paid at enhanced rates for a period of 10 years. **This will equally apply in case of Defence Forces personnel dying in harness**. As regards the stipulation that enhanced rate of Ordinary Family Pension should not exceed service pension, the same affects such of those PBORs who die after putting in short span of service. **This will cease to be of relevance in the proposed dispensation as per which pension will be payable at 50% of the reckonable emoluments irrespective of the number of qualifying years of service put in.** No justification remains for limiting family pension to unmarried daughters till the age of 25 years when widowed daughters are allowed family pension for life. Similar dispensation, therefore, needs to be extended in case of unmarried/divorced daughters. **The Commission, accordingly, recommends that unmarried daughters should also be allowed family pension for life.** Payment of family pension to widows on re-marriage was considered by Fifth CPC who recommended continuance of Ordinary Family Pension on re-marriage whenever the widow decided to look after the children. Defence Forces have proposed this dispensation. Extant rules already provide for this. No further recommendation is necessary on this account. Defence Forces proposal for payment of liberalized Family Pension to those dying during trials of indigenously developed weapon system and ammunition is justified as at the time of initial trial, the efficacy and safety of the weapon is not known and the risk to life is higher. **The Commission recommends that liberalized family pension should also be paid to the families of military personnel dying during trials of indigenously developed weapon system and ammunition.**

Disability Pensionary awards

5.1.66 Disability pensionary awards include:-

- Disability Pension
- Invalid Gratuity &
- War Injury Pension

Disability Pension - Disability Pension is given to Defence Forces personnel who leaves service on account of disability attributable to or aggravated by military service. The basic scheme is similar to that for civilians; however disability element for service personnel is paid at flat rates unlike in case of civilians who are granted disability element as a percentage of pay equal to admissible family pension. Defence Forces personnel in receipt of Disability Pension for 100% disability are also given Constant Attendance Allowance. As per recommendations of Fifth CPC, this allowance is payable at the rate of Rs.600 p.m.

Invalid Gratuity – Invalid Gratuity is paid at the rate of half month's emoluments for every six months of service. It is payable in addition to DCRG.

War Injury Pension – War Injury Pension is payable for injury sustained during notified operations. The War Injury Pension is payable on the basis of reckonable emoluments last drawn and is equal to reckonable emoluments last drawn for 100% disability and is proportionately reduced for lesser disability subject to the prescribed minimum.

Disability Pension awards - demands

5.1.67 Following proposals made by the Defence Forces regarding disability pension awards:-

- Defence personnel should also be paid disability component of Disability Pension on percentage basis at the rate of 30% of basic pay subject to a minimum of Rs.1550 p.m. In case of disability due to injury in war/war like situations, it should be paid at the rate of 60% of the last pay drawn subject to a minimum of Rs.3100 p.m.
- No qualifying service should be prescribed for grant of Disability Pension due to causes neither attributable nor aggravated by service conditions.
- In all attributable cases, disability component should be paid for disabilities below 20% (presently it is not paid for disabilities below 20%).
- Rate of Constant Attendance Allowance should be raised to the minimum wage applicable to a Group D employee of Central Government so as to provide disabled soldiers enough means to hire an attendant.
- Removal of the bar on payment of disability pension who are initially retained in service but subsequently seek voluntary retirement.

Disability Pension awards - Analysis

5.1.68 The demand that disability element should be calculated as a percentage of pay is justified especially as in the case of civilians also; disability element is computed as a percentage of pay (30%). **The Commission, accordingly, recommends that disability element for purposes of disability pension in case of Defence Forces personnel should be computed at the rate of 30% of pay**. Removal of any qualifying service in NANA (Neither Attributable Nor Aggravated) cases will have repercussions in the civilian side as well. **Acordingly, the status quo may need to be maintained**. Disability of 20% or lower cannot be treated as a disability that will vitally affect the functions of a person. On these grounds, disability element is not payable for disability of 20% or lower. **The existing position is appropriate and may need to be retained.** Rates of Constant Attendant Allowance need to be increased. Generally all the allowances have been proposed to be increased by a factor of two. However, a higher Constant Attendant Allowance needs to be given. Acordingly, the **Commission recommends that existing rates of Constant Attendant Allowance may be increased by five times to Rs.3000. Further, these rates should be increased by 25% every time the dearness allowance payable on revised pay bands goes up by 50%.**

5.1.69 As regards removal of the bar on payment of disability pension to those personnel who are initially retained in service but subsequently seek voluntary retirement, it is observed that all Defence Forces personnel found to have disability other than NANA and who are retained in service despite the disability, are paid compensation in lieu of the disability element. The Fifth CPC had considered the issue and recommended continuance of this system. Accepting this proposal would mean extending double benefits in form of the initial lump-sum payment and subsequent pension for the same disability element. **The recommendations of the Fifth CPC in this regard are justified. However, an option may be given to the concerned official in cases of disability other than NANA whereby the lump-sum compensation in lieu of disability element is foregone but disability pension at the time of retirement, whether voluntary or otherwise, is given.** This will entail a change in the extant rules which bar payment of disability pension in all cases of voluntary retirement. The Government may take necessary action in this regard.

DCRG

5.1.70 The extant rules for DCRG in the Defence Forces are identical to those existing for civilians. In the case of civilians, the limit of DCRG is proposed to be increased to Rs.10 lakh without any ceiling on the number of months (the present ceiling is Rs.3.5 lakhs and 16 ½ months salary). The Defence Forces have demanded that all ceiling should be removed and that the existing weightages for PBORs may be increased. A special dispensation cannot be made for Defence Forces in respect of the ceiling as relativities with the civilians in this regard are already wellestablished. Weightages for PBORs can also not be increased because the same are being removed totally for purposes of pension. Acordingly, **the Commission recommends that only the pecuniary ceiling on gratuity may be increased with the other conditions being kept unchanged.**

Ex-gratia

5.1.71 Presently, families of defence personnel who die in harness in the performance of their bonafide official duties are paid ex-gratia lump-sum payment as under:-
Death due to accidents in course of duties Rs.5 lakh. Death in the course of duties attributable to acts of violence by terrorists etc. Rs.5 lakh. Death occurring during enemy action in war or border skirmishes or in action against militants, terrorists, etc. Rs.7.5 lakh. Death occurring during enemy action in international war or war like engagements specifically notified Rs.10 lakh. Defence Forces have demanded ex-gratia of Rs.10 lakh for deaths in harness other than NANA; Rs.25 lakhs for deaths due to accidents/acts of violence; Rs.35 lakhs for deaths due to enemy action in international war and border skirmishes and Rs.40 lakhs for deaths during operations notified by the Government. The rates of ex-gratia were last increased in August, 1999. The rates also have relativity with the civilian side as well. As a general principle, rates of various benefits and allowances revised after Fifth CPC are being doubled. The same principle needs to be applied in this case also. **The Commission, accordingly, recommends the following revised rates of ex-gratia for families of Defence Forces personnel who die in harness in the performance of their bonafide official duties:-**

1. **Death due to accidents in course of duties Rs.10 lakh**
2. **Death in the course of duties attributable to acts of violence by terrorists etc. Rs.10 lakh**
3. **Death occurring during enemy action in war or border skirmishes or in action against militants, terrorists, etc. Rs.15 lakh**
4. **Death occurring during enemy action in international war or war like engagements specifically notified Rs.20 lakh**

Funding pension liability in future

5.1.72 There has been a growing concern about the manner in which the burgeoning pension bill can be funded keeping in view the fact that the New Pension Scheme (NPS) implemented for civilian employees recruited on or after 1-1-2004 would start yielding benefits only after another three decades. A study was commissioned to Center for Economic Studies and Policy, Institute for Social and Economic Change, Bangalore (ISEC). The terms of study *inter alia* specifically included suggesting various options for meeting the future pension liability by devising suitable and selfsustaining models for financing the pension of Central Government employees recruited prior to 1.1.2004 with the final objectives that the funds so devised are able to meet substantially the entire pension liability of the Government. *The study has revealed that while the future Central Government pensionary expenditure in absolute terms would be significant, as a percentage of GDP its share is on the decline.* It was also seen that the two key factors that have had an impact on the growing pension related expenditure are the huge intake of Government employees in the initial years of the planned development of the country along with a sharp increase in the size of pay and other allowances over a period based on revisions recommended by the Pay Commissions from time to time. In recent years, there has been a considerable decline in Government employment. Consequently the number of retirees in future will also be lower with concomitant decrease in the future growth of the pension bill. The pension bill will be further reduced once the scheme of lateral movement of defence personnel to CPMFs is implemented. In any case, the projected pension costs are not alarmingly high given the expected robust growth of the economy and the short nature of the period during which the huge payments are to persist and are expected to fall considerably after touching an all time high of 1.1% of GDP in 1999-2000. **Thus, the future pensionary liability of the pensioners and employees covered by CCS (Pension) Rules, 1973 as well as the defence forces can continue to be discharged under the existing *Pay As You Go* system with out much difficulty.** ***Creating a partial pension fund***

5.1.73 In case, however, the Government wants to create a pension fund to discharge their pension liability, the study by ISEC reveals that the net present value of the projected pension liability is Rs.3, 35,628 crore based on assumed rate of return of 8 percent. A fund of this magnitude would help the Government meet the pension payments from the returns of the fund, and help avoid earmarking resources on an annual basis for the mounting pension outgo that takes place on account of the Pay As You Go system that currently happens with each budget. Creating a fund of this magnitude may not, however, be possible in the current fiscal scenario, wherein, the Central Government is still experiencing revenue deficit. As mentioned in the study by ISEC, **the Government should, however, consider the possibility of segregating the projected pension liability into a partially funded component and partially *Pay As You Go* component for the employees not covered by new Pension Scheme who are still in service.** This can be done in various ways. One method, suggested in the study by ISEC, can be to bring the pension liability of all the employees who are below the age of 40 years under a kind of funded investment. The study by ISEC reveals that at eight percent rate of return, the size of annual funding required to meet the liability arising on account of all the employees aged below 40 ranges between Rs 6601 crore over a ten year period to Rs 4149 crore over a twenty five year period. Creating such a fund will allow the Government to partially defray their future pensionary liability with out impacting the present developmental activities. The interests of the employees will, in any case, be fully protected as they will continue to be eligible to draw pension as per the CCS (Pension) Rules.