

UNITED FORUM OF MTNL UNIONS & ASSOCIATIONS
[A-95 Shankar Garden, New Delhi -110018]

Associates

- # Telecom Executive Association of MTNL (M: 9869136363)
- # MTNL Executive Association (M: 9868133336)
- # MTNL Staff Union (M: 9868133959)
- # MTNL MazdoorSangh (M: 9868137700)
- # MTNL SC/ST Employees Welfare Association (M: 9810672392)
- # BhartiyaMahanagar Telephone Nigam KaramchariSangh (M: 9868240035)
- # MTNL Workers Union (NFTE) (M: 20591084)
- # Dr.Ambedkar MTNL Sc/ST/OBC Telecom Emp.Welfare Assn.(M: 9868549755)
- # MTNL Karamchari Sanghathan (M: 9868001515)
- # MTNL Karamchari Union (M: 9013018199)
- # MTN Employee Union Gr.C&D (M: 9013356947)
- # MTNL Employees Welfare Union (M: 9868115485)
- # MTNL Karamchari Ekta Union (M: 9868838008)
- # MTNL Karamchari Congress (M: 9868134633)
- # Retired Telecom Officers' Welfare Association (M: 9968721515)
- # MTNL(DOT) Ex.Employees Welfare Association (M: 9968075051)

Ref. No. UFOM/2010-12

Date: 20/02/2013

To

Shri A.K.Garg
Chairman & Managing Director
MTNL Corporate Office
Mahanagar Telephone Nigam Limited
C. G. O., New Delhi

Subject :-More apprehensions about the financial viability of Pension Trust under Rule 37A.

Sir,

With further reference to our letter of even number dated 19/2/2013 and the note enclosed therewith, we would like to share some more apprehensions about viability on the Pension Trust under Rule 37A as follows :

- (1) The Government, with the consent of MTNL, is going ahead with the formation pension Trust under Rule 37 A to cover both executive and non-executive cadres of MTNL who are erstwhile DOT recruits and absorbed in MTNL to work for a few years before retirement. It is learnt that the Government will transfer to the Trust as ONE TIME CONTRIBUTION the amount of Rs 3800 Crores only.

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- (2) As regards MTNL's financial participation to the Trust, it may be noted that MTNL has already spent more amount to meet the full liability of pension so far than it is due from MTNL on account of pension contributions received. The revised pension has been paid w.e.f. October, 2012 only and the arrears were not paid yet under the plea of paucity of required fund.
- (3) Under this backdrop it is quite natural to think, how much corpus is required if Trust is to be made financially viable and wherefrom that amount will come?
- (4) Every year the pension liability is valued by actuary and provision is made in the Profit and Loss Account and in the Balance Sheet as a statutory requirement on the part of MTNL.

| Type of Provisions | Provision in millions of rupees | | Remarks |
|--|---------------------------------|--------------|---------|
| | at 31/3/2011 | at 31/3/2012 | |
| Long Term Provision | 72332.10 | 82047.80 | |
| Short Term Provision for pension contributions | 5067.18 | 8015.20 | |
| TOTAL | 77399.28 | 90063.00 | |

- (5) Therefore, as per MTNL's own assessment, the actuarial valuation Rs 9006.00 Crores is required as Pension Fund as on 31/3/2012. Even this figure may fall short to meet the bare need for the following reasons :-
- (a) The incremental additional provision in the year 2011-2012 is Rs 1267 Crores. This means that even if there is initial corpus of say 7739.92 Crores on 1/4/2011, the net actuarial to the Fund may not be sufficient to meet the additional requirements as per actuarial valuation as on 31/3/2012.
- (b) The investment related hazards are not taken into account in the calculation process.
- (6) Therefore, the following questions/apprehensions are very much relevant :-
- (a) Whether Trust will have initial corpus of Rs 9000 Crores as on 1/4/2012. If so, and if DOT gives only Rs 3800 Crores, wherefrom the balance Rs 5200 Crores will come ?
- (b) It is apparent that there will be shortfall every year if actuarial valuations of the pension liability is compared with the value of investments of the Fund. Who will make good this shortfall? As per the provisions of Rule 37A, MTNL is liable to make good against the short fall. In view of the fact that MTNL's loss is Rs 4109.78 Crores during 2011-2012 and the accumulated loss as at 31/3/2012 is Rs 9006.93 Crores, how will MTNL contribute to make good the short fall of Rs 5200 Crores in the initial corpus and perpetual shortfall every year from time to time ?
- (c) The provisions under Rule 37 lays a well thought of trap for MTNL. It will ruin the

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financial prospects and stability for MTNL once for all. Apart from ruining the pension security, it will ruin the service security and career prospects of the existing working employees including those recruited by MTNL.

THEREFORE, OUR CONSIDERED VIEW IS THAT IN THE INTEREST OF ORGANISATION, MTNL SHOULD RESIST THE MOVE OF DOT TO IMPOSE TRUST UNDER RULE 37A ON MTNL. IF BSNL COULD AVOID THIS TRAP, WHY NOT MTNL ?

Thanking you and with regards,

Yours faithfully,

M. K. Bagchi 20/2/2013
(M. K. Bagchi)
Convener/ United Forum

Copy to :-
Cabinet Secretary/Govt. of India
Secretary/DOT
Director (Finance)/MTNL
Director (Technical)/MTNL
Dy.CL(C),/HQ, New Delhi

..... for information and necessary action please.