

Pensioners to get 40% raise, more gains for octogenarians.

In a development that could well encourage more civil servants and armed forces personnel to opt for careers in the private sector, the government has decided to grant full pension benefits to all government employees who leave after 20 years in service, against the current 33 years.

The Union Cabinet has accepted this proposal, along with other recommendations of the Sixth Pay Commission on pension benefits for the estimated 3.84 million central government pensioners at a meeting here on Thursday. Experts said the reduction in the number of years of service to 20 years to earn full pension benefit was a liberal move and would end stagnation in government service.

Government officials told Business Standard that several other recommendations have also been accepted. These include raising the gratuity limit to Rs 10 lakh, higher pension for octogenarians, exclusion of earned leave encashed while in service from the overall limit, clubbing of earned leave and half-day pay leave for encashment.

| PENSION PLAN | |
|-------------------------|---------------|
| Central govt pensioners | |
| Department | Number |
| Railways | 1.01 million |
| Posts | 158,000 |
| Defence | 1.94 million |
| Telecom | 142,000 |
| Civil | 583,000 |
| Total | 3.841 million |

Source: Sixth Pay Commission report

Octogenarians will now be paid an additional 20 per cent of their basic pension, while those aged 85 will get 30 per cent more, rising to 100 per cent additional pension for centurions.

Officials said the final award for pensioners accepted by the government implied that central government pensioners would receive an overall increase of 40 per cent in pension. As a result the total estimated pension liability of nearly Rs 29,900 crore of the central government will go up by nearly Rs 1,400 crore annually.

Based on the Invest India Incomes and Savings Survey, 2007, it is estimated that 5.3 per cent central government employees (170,000) are likely to retire in the two years till 2009-10.

Another proposal to change the commutation formula and outsource the process to public sector banks, which would have saved the government Rs 2,344 crore annually, is also likely to have been accepted. If implemented, the government will bear only a notional subsidy on account of the interest payable to banks by employees who decide to commute a part of their pension, against the entire amount plus interest.

The central government had estimated 3,321,210 employees (excluding defence personnel) on its rolls in 2007, with the number projected to go up marginally to 3,329,682 in 2008.