

F. No. W-02/0046/2018-DPE (WC)-GL-~~XXI~~/18
Government of India
Ministry of Heavy Industries & Public Enterprises
Department of Public Enterprises

Public Enterprises Bhawan
Block No.14, CGO Complex, Lodhi Road
New Delhi, the 27th September, 2018

OFFICE MEMORANDUM

Subject:- Consolidated guidelines on creation of corpus based on the 2nd Pay revision Committee recommendations-reg.

The undersigned is directed to say that various guidelines have been issued by the Government from time to time on the above subject regarding creation of Corpus by contributing 1% to 1.5% of Profit Before Tax(PBT) in order to take care of medical and any other emergency needs of retired executives and also those employees who are not adequately covered by the Pension Scheme. All the guidelines issued till date have been consolidated for easy reference and guidance of all concerned. These consolidated guidelines have been uploaded on this Department's website <http://dpe.gov.in> in the dynamic form.

2. Administrative Ministries/Departments are requested to bring it to the notice of the all CPSEs under their jurisdiction for information, guidance and necessary action.
3. This issues with the approval of the Competent Authority.


(B N Mishra)
Director

To

All Administrative Ministries/Departments.

Copy to:-

1. The Chief Executive Officers of Central Public Sector Enterprises.
2. The Comptroller & Auditor General of India, 9 Dean Dayal Upadhayay Marg, New Delhi.
3. Financial Advisers in the Administrative Ministries.
4. Joint Secretary, Department of Expenditure, North Block, New Delhi.
5. Joint Secretary, Department of Personnel & Training, North Block, New Delhi.
6. NIC, DPE with a request to upload this OM on the DPE website.


(B N Mishra)
Director

CONSOLIDATED GUIDELIENS ON CREATION OF CORPUS

A. Creation of a corpus in order to take care of medical and any other emergency needs of retired employees of CPSEs.

The 2nd Pay Revision Committee (2nd PRC) constituted for revision of pay and allowances in respect of Executives and Non-unionized supervisors of CPSEs following IDA pattern of pay scales in its report, *inter alia* recommended that CPSEs may create a corpus by contributing 1% to 1.5% of Profit Before Tax (PBT) to create a fund in order to take care of medical and any other emergency needs of retired executives and also those employees who are not adequately covered by the Pension Scheme.

2. In terms of DPE O.Ms. dated 26.11.2008 and 02.04.2009, CPSEs are allowed upto 30% of Basic Pay plus DA as superannuation benefits which may include CPF, Gratuity, Pension & Post Superannuation Medical Benefits. While, a number of CPSEs already have scheme for extending post superannuation medical benefits and/or pension to their retired employees, many other CPSEs may not have any such scheme for their retired employees.

3. This Department had requested Ministries/Departments concerned with the CPSEs for furnishing their considered views about the feasibility and the methodology of operationalising the above referred recommendation of the 2nd PRC. DPE, however, did not receive appropriate response from concerned Ministries/ Departments to the said recommendation. It is found that it would not be feasible to have a common/unified scheme for all the CPSEs. However, at the same time, a need is felt to have a scheme for the retired employees a CPSE so that they could avail medical and other emergency benefits. In such a situation, it would be better if decision to create or otherwise, a corpus to implement the recommendation, is left to the individual CPSEs.

4. After careful consideration of the recommendation of 2nd PRC, it has now been decided that individual CPSEs may create a corpus by contributing not more than 1.5% of PBT, in order to take care of medical and any other emergency needs to those retired employees, who are not covered by the pension scheme and/or post superannuation medical benefit scheme.

5. Administrative Ministries/Departments may, therefore, issue suitable instructions to the managements of CPSEs, to consider framing of a scheme, with the following guidelines:

(i) The scheme may be set up where there is a need felt for such a scheme for retired employees of a CPSE.

(ii) The scheme should take care of medical and any other emergency needs of those retired employees, who are not covered by the Pension scheme and/or post superannuation medical benefit scheme.

(iii) A Committee of Directors may be constituted by the Board of Directors of each CPSE for disbursement of fund, to the retired employees of the CPSEs, covered under the scheme. The Committee may also identify the areas of medical and any other emergency needs.

(iv) In the introductory year of operation of the scheme. not more than 1.5% of previous year's PBT would be permissible for funding of the scheme. In subsequent years, depending upon the need, contribution to the Corpus, if required, would be made. However, in no case the contribution to the Corpus, in any year will exceed 1.5% of the PBT of previous year.

(v) No budgetary support will be provided by the Government for the scheme.

6. The Board of Directors of each CPSE accordingly, may consider, framing of the scheme, keeping in view the above guidelines, based on their need and affordability, and submit proposal to the Administrative Ministry/Department for approval. The concerned Administrative Ministry/Department may with the concurrence of their Financial Advisor, obtain approval of the competent authority for the scheme.

7. A copy of the approved scheme may be forwarded to the Department of Public Enterprises for record, in due course.

[DPE O.M. No.2 (81)/08-DPE(WC)-GL-XVI/2009 Dated 8th July, 2009]

B. Creation of Corpus for retired employees of CPSEs

The undersigned is directed to refer to O.M. of even number dated 8.07.2009 on the subject mentioned above providing Board of Directors of each CPSE to frame a suitable scheme keeping in view the guidelines contained in the aforesaid O.M. based on their need and affordability and submit proposal to the Administrative Ministry/Department for approval. Subsequent to issue of O.M. dated 08.07.2009, a number of representations have been received in this Department, requesting for notification in the Scheme. Government has accordingly reviewed the efficacy of the scheme as conveyed in O.M. of even number of dated 08.07.2009.

2. In view of the above, the following has been decided:-

- (i) Administrative Ministry/Department may consider creating a common corpus for the retired employees of the CPSEs, under their Administrative control. The purpose of the corpus would be to take care of medical and any other emergency needs of retired employees.
- (ii) Each CPSE under the Administrative Ministry/Department to contribute not more than 1.5% of its PBT for the above said corpus.
- (iii) A Committee, headed by an Independent Director, to be decided by Ministry/Department may be formed by the respective administrative Ministry. Department for implementation of said corpus.
- (iv) Scheme based on individual CPSE as conveyed in O.M. dated 08.07.2009 to continue but basic conditions like not more than 1.5% PBT (whether Ministry/Department based and/or individual CPSE based) and no budgetary support by Government would apply to the Ministry/Department based scheme proposed now. Therefore, there may be a situation, where a CPSE under a Ministry/Department may have a separate scheme for its retired employees, but at same time contribute to common corpus for retired employees of other CPSE(s) under Administrative Ministry/Department, In such cases also the total contribution will not exceed 1.5% of PBT of a particular financial year. For individual CPSE based scheme, Constitution of Committee will be that as already indicated in para 5(iii) of O.M. dated 08.02.2009.
- (v) Purpose of the scheme (Individual or Common corpus under a Ministry/Department for its CPSEs) to be as per from 2(i) above. The scheme may be implemented preferably through approved Insurance Companies. It is clarified that scheme should not become a defined benefit pensionary scheme.
- (vi) The benefits under the Scheme may vary from year to year depending upon the contribution by CPSE(s) in a particular year as the contribution is in turn dependent on the Profits, affordability and sustainability of the CPSE(s) concerned.
- (vii) The issue of 'emergency needs' may be decided based on the principles of fairness, transparency, functional requirement, affordability sectorial similarities and sustainability of the common corpus, etc., with the prior approval of the aforesaid Committee.
- (viii) Such corpus will cover only those employees of CPSEs, who retired prior to 01.01.2007.

3. Administrative ministries/Departments may suitably issue instructions to the CPSEs under their administrative control for their information and necessary action.

4. This issues with the approval of minister (HI&PE).

[DPE O.M. No. 2(81)/08-DPE(WC)-GL-XV/2011 Dated 20th July, 2011]

C. Creation of corpus for retired employees of CPSEs.

The undersigned is directed to refer to DPE O.M. of even number dated 20.07.2011 on the subject mentioned above. The date '08.02.2009' appearing at the end of para 2 (iv) of the DPE O.M. dated "20.07.2011" may be read as "08.07.2009". There is no change in other contents of the said O.M. dated 20.07.2011.

[DPE O.M. No.2 (81)/2008-DPE (WC)-GL-XIV/12 Dated 27th August, 2012]

D. Issue of creation of 'Corpus' for the retired employees of CPSEs and introduction of Superannuation Benefit Scheme for the executives and non-unionized supervisors of CPSEs after 01.01.2007.

The undersigned is directed to refer to Para '4' of DPE O.M. No. 2(81)/08-DPE(WC) dated 08.07.2000 read with para 2(i) of on No. 2(81)/08-DPE (WC) dated 20.7.2011 and Para 'V' of annexure-'IV' of DPE O.M. No. 2(70)/08-DPE(WC) dated 26.11.2008 read with Para '2' (ii) O.M. No. 2(70)/08-DPE(WC) dated 02.04.-2009 on the subject noted above and to state that the benefit for employees who have retired from CPSEs prior to 01.01.2007 is totally different from that of executives and non-unionized supervisors retiring subsequent to 01.01.2007 and the sourcing of funds for these two mutually exclusive categories of employees is also different. One of the Administrative Ministry has requested comments of DPE on both the schemes. After due consideration, a need was felt that a general clarification/comments on both the schemes may be issued so that there may be no confusion in operation of both the schemes. The clarifications sought and the comments/clarification of DPE in this regard are enclosed.

2. All Administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of the CPSEs under their administrative control for action at their end.

Enclosure of DPE O.M. No. 2(1)/2013-DPE (WC) DATED 24.01.2013		
Sl. No.	Clarifications sought	Comments of DPE
1.	Whether the contribution of 1.5% of PBT to the made by CPSEs for providing medical benefits to retired employees (Pre-01.01.2007) is outside the ceiling of 30% prescribed for granting superannuation benefits to executives/non-unionized supervisors under the OM dated 02.04.2009 (post-01.01.2007 retirees) [O.M. No. 2(70)/2008-DPE (WC)];	The benefit for employees who have retired from CPSEs prior to 1.1.2007 is totally different from that of executives and non-unionized supervisors retiring subsequent to 1.1.2007. The sourcing of funds for these two mutually exclusive categories of employees is also different. The schemes therefore, should also be separately framed based on DPE guidelines. The contribution of upto 1.5% of PBT for creation of corpus is for providing medical benefits and any other emergency needs is for employees who have retired prior to 1.1.2007 (<i>vide</i> DPE O.Ms. dated 08.07.2009 and 20.07.2011).The ceiling of 30% of basic pay + DA is in respect of executives and non-unionized supervisors retiring on or after 1.1.2007 from CPSEs and this is based on the concerned individual's basic pay from time to time. In view of the above, contribution of 1.5%of PBT has no relationship with 30% ceiling prescribed for grant of superannuation benefits.
2.	Whether the contribution under medical benefit schemes under DPE instructions dated 02.04.2009 in respect of post 01.01.2007 and the contribution under the scheme for creation of corpus under DPE OM	No, Corpus created out of 1.5% of PBT cannot be merged with contribution towards superannuation benefits limited to 30% of Basic Pay + DA. The two categories of employees and the schemes mean for each category cannot be merged.

Sl. Clarifications sought No.	Comments of DPE
<p>dated 08.07.2009 can be clubbed together to obtain one common medical benefit scheme for al the categories of retirees or is it mandatory to have two separate Schemes for Pre-2007 and post-2007 retirees? The above clarification is needed as clubbing of two Schemes may lead to cross-subsidization between the Schemes after some years when the number of pre-01.01.2007 retires declines and the number of post-01.01.2007 retirees increase & due superannuation etc. [O.M. No. 2(70)/08-DPE (WC)] [O.M. No. 2(81)/08-DPE (WC)]</p>	
<p>3. Whether it is permissible to cover workmen also under the Scheme dated 08.07..2009 which provides for contribution of 1 to 1.5%of the PBT to the corpus to take care of medical needs or retired executives and other employees of CPSEs not covered under Pension Scheme? [O.M. No. 2(81)/08-DPE (WC)]</p>	<p>Workmen are covered under the settlement arrived at between the Management and the Trade Unions based on the policy guidelines issued by DPE. The corpus created out of 1.5% of PBT as indicated in DPE O.Ms. dated 08.07.2009 and 20.07.2011 is meant for all the retired employees, which may include workmen of a CPSE retired prior to 1.1.200.DPE O.Ms. dated 26.11.2008 and 02.04.2009, which <i>inter-alia</i> provide for superannuation benefits limited to 30% of Basic Pay+ DA is meant for executives and non-unionized supervisors. For workmen superannuation benefits would depend upon the settlement arrived at between the Management and the Trade Unions of respective CPSEs provided it does not clash with that of executives and non-unionized supervisors.</p>
<p>4. While a minimum service requirement of 15 years has been prescribed for grant of pension and medical benefits under DPE OM dated 26th November, 2008, no Minimum service requirement has been imposed in cases of retired employees of CPSEs who are to be paid medical benefits from 1.5% PBT corpus as per DPEOM dated 08.07.2009. [O.M. No. 2(70)/08-DPE (WC)] [O.M. No. 2(81)/08-DPE (WC)]</p>	<p>DPE O.Ms. dated 08.07.2009 and 20.07.2011 do not envisage minimum service requirement for getting benefits out of the corpus upto 1.5% PBT meant for employees retired prior to 1.1.2007. [O.M. No. 2(81)/08-DPE (WC)]</p>

Sl. No. Clarifications sought	Comments of DPE
5. Should not such schemes have to be contributory only as per DPE guidelines? Some companies are making their Schemes contributory while HAL has proposed to fully fund the Scheme from Company funds?	DPE O.Ms. dated 26.11.2008 and 02.04.2009 do not provide for mandatory contribution on the part of employees. Employees contribution to other post retrial benefits would enhance their social security and therefore, the CPSE can frame scheme as per their requirement. [O.M. No. 2(70)/08-DPE (WC)]
6. Whether this Scheme is covered under the limit of 50% fixed for Perks and Perquisites?	As per DPE O.Ms. dated 26.11.2008 and 02.04.2009, contribution towards superannuation benefits is subject to a ceiling of 30% of Basic Pay + DA. This benefit is in addition to perks and allowances and is therefore outside the 50% ceiling prescribed for perks and allowances. [O.M. No. 2(70)/08-DPE (WC)]

[DPE O.M.No.2 (1)/2013-DPE (WC)-GL-VI/13 Dated 24th January 2013]