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Pl. issue for 01/8/06.

**Government of India**
**Ministry of Railways**
**(Railway Board)**

**RBA No. 39/2006**

**No. 2004/AC-II/21/1** **New Delhi,** **Date :** 01/08/06

**General Managers,**
**Zonal Railways, PUs etc. As per standard list.**

**Sub : New Pension System.**

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While implementing the New Pension System (NPS), Zonal Railways have sought clarifications on various issues. These issues have been examined in Board's office in consultation with the Department of Economic Affairs, Ministry of Finance, the nodal Department of the Government on NPS .The clarifications on certain issues as received from the Department of Economic Affairs are mentioned below, for information and necessary action.

| S.No | Queries | Replies / Comments |
|---|---|---|
| 1 | The procedure for calculation of interest on the credit balance of the employees and Government contribution. | As per advice of the Department of Expenditure, the same method as used for computing interest on GPF may be used. |
| 2 | Whether retirement gratuity is available to the employee covered under NPS? | Payment of Gratuity to Railway retirees is made under Railway Services (Pension) Rules 1993. The provisions of Railway services (Pension) Rules, 1993 are no more applicable to new entrants to railway Services w.e.f. 1st January 2004 after amendments made in the Railway Services (Pension) Rules 1993 vide Notification No.FE(III)/2003/PNI/38 (Amendment) dated 30.12.2003. |
| 3 | What benefits will he/she get in the event of death in service? | The deceased employee's own contribution plus Government's contribution plus interest @ 8% p.a. on both may be paid to the legal heirs immediately. |
| 4 | Whether (both Government and employee's) contributions towards Tier-I are taken as income for the purpose of Income Tax or it will be exempted? | The Tax treatment of the NPS in respect of Central Government was provided for in the Budget 2004-05. The universally accepted formula of EET (Exempt, Exempt, Tax) has been adopted, that is, the contributions will be excluded from income for tax purposes. The accruals will also be exempt from tax ; and only the terminal benefits will be taxed at the applicable rate in the year of receipt. |
| 5 | Can any individual continue to contribute under Tier-1 even after the age of 60 | Yes. However, in case of Government employees, the Government's contribution |

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|---|---|---|
| | years? | will cease when the employee reaches the age of 60 years. |
| 6 | As per Scheme the accumulation to fund are payable to spouse/dependent/parents in the event of death during interim period. It would imply that no investment would be regulated in such cases? How pensions of family will be regulated in such cases? | There are no provisions at present to payment of family pension. |
| 7 | Whether dependent parents can be nominated to receive pension wealth when the spouse and the children of the employee are alive? | The pension Fund Regulatory and Development Authority (PERDA) will decide on investment schemes and benefits under NPS. |
| 8 | What happens if the employee dies while in service within one month from the date of appointment i.e. before recovery towards pension contribution starts? | In such an event, the employee is to be taken off the record as far as NPS is concerned. |
| 9 | As per the scheme, during interim period the accumulation under Tier-I shall be payable to spouse/dependent parents in the event of death of employees. What will be the percentage of share in which payment will be made to them in absence of nomination. | Procedural details (nomination, shares etc) are still to be worked out. |

Sanjeeb Kumar

**(Sanjeeb Kumar)**
**Director Finance (Finance )**
**Railway Board**

Copy to :

CPOs / FA&CAOs for information and necessary action.

Sanjeeb Kumar

**(Sanjeeb Kumar)**
**Director Finance (Finance)**
**Railway Board**