Government of India
Ministry of Railways
(Railway Board)

R.B Accounts 5/2004

No.2004/AC-II/21/ 1 New Delhi, Dated 19/2/04

GMs, FA&CAOs, CPOs
All Zonal Railways/Production Units etc.

Sub: **Introduction of New Pension System.**

Attention is invited to Board's letter No.F(E)III/2003/PN1/24 dated 31/12/03 (copy enclosed) on the above subject. As stated therein, Government of India have introduced a new defined Contributory Pension System for the new entrants to Central Government Service, except for Armed Forces in the first stage, replacing the existing system of defined benefit pension system vide Government of India, Ministry of Finance, Department of Economic Affairs notification dated 22/12/03 sent herewith. The new pension system has come into operation w.e.f. 1.1.2004. The salient features of the new pension system are as under:-

(i) The new pension system is based on defined contributions, which will use the existing network of bank branches and post offices etc., to collect contributions and interact with participants allowing transfer of the benefits in case of change of employment and offer a basket of pension choices. The system is mandatory for all Government servants who join Government service on or after 1-1-04. It has two tiers i.e., Tier-I & Tier-II. In tier-I, Government servants shall compulsorily make a contribution at the rate of 10% of salary and DA and a matching contribution will be made by the Government (the term 'salary' in Ministry of Finance's notification quoted above may be read as 'basic pay'). The contributions and the investment returns would be deposited in a non-withdrawable pension tier-I account. The existing provisions of defined benefit pension and SRPF/GPF would not be available to the new recruits in the Central Government service joining Government service w.e.f. 1.1.2004.

(ii) In addition to the above pension account, each Government servant may also have a tier-II withdrawable account at his option. This option is given as SRPF/GPF Rules are not applicable to the new recruits joining the Central Government service w-e-f- 1-1-2004. Government will not make any contribution to this tier-II account. These assets would be managed through exactly the above procedures. However, the Government servant would be free to withdraw part or whole of the second tier of his money any time. This withdrawable account does not constitute pension investment and would attract no special tax treatment.

(iii) A Government servant covered under the new system can exit at or after attaining the age of 60 years from the tier-I of the system. At exit, it would be mandatory for the individual to invest 40% of the pension wealth to purchase an annuity from an IRDA regulated life insurance company, which will provide for pension for the lifetime of the employee and his dependent parents/spouse at the time of retirement. In the case of Government servants, who leave the system before attaining the age of 60 years, the mandatory annuitization would be 80% of the pension wealth.

(iv) In order to implement the system, there will be a Central Record Keeping Agency (CRA) and several Pension Fund Managers (PFMs) to offer 3 categories of schemes to Government

servants viz., option A, B and C based on the ratio of investment in fixed income instruments and equities. Option A would imply pre-dominant investment in fixed income instruments and some investment in equity. Option B will imply greater investment in equity. Option C will imply almost equal investment in fixed income instrument and equity. An independent Pension Fund Regulatory and Development Authority (PFRDA) will regulate and develop the pension market.

(v) As an interim arrangement, till such time a statutory PFRDA is established, an interim PFRDA has been appointed by Ministry of Finance. Further, till the regular Central Record-keeping Agency (CRA) and Pension Fund Managers (PFMs) are appointed and the accumulated balances under each individual account are transferred to them, Government has decided that Central Pension Accounting Office (CPAO) will function as CRA and such amounts representing the contributions made by the Government servants and the matching contribution made by the Government shall be kept in an account under 'Public Account of India' as an interim arrangement.

2. Accordingly, the following instructions are issued in consultation with Controller General of Accounts, Ministry of Finance for the guidance of Railways for implementation of the New Pension System during the interim arrangements referred to above:

a) The new pension system is effective from 1.1.2004.

b) The contributions payable by Railway servants towards the system under tier I and tier II will be recovered from their salary bills every month.

c) Pending formation of a Central Record Keeping Agency, Central Pension Accounting Office/Ministry of Finance will function as the Central Record Keeping Agency for this system.

d) The contribution towards the system under tier-I will be recovered at the rate of 10% of Basic Pay and DA from Railway servants.

e) The system of voluntary contribution under Tier-II will not be operative during the period of interim arrangement. Therefore, no recoveries will be made from the salaries of the employees on this account during the above period.

f) Recoveries towards the contribution to tier-I of the system shall be effected from the 1st of the month following the month in which the Railway servant has joined the service. No deduction will be made from his salary earned in the month of joining the service.

g) No deduction shall be made towards SRPF/ GPF contribution from the Railway servant joining the service on or after 1/1/04, as the said scheme is not applicable to them.

h) *(i)* Immediately on joining the service the Railway servant shall be asked by the bill-drawing officer concerned to furnish the particulars viz., name, designation, scale of pay, date of birth, nominee for the fund etc; in the prescribed form (Annexure I). Each bill drawing officer will consolidate this information in respect of all the Railway servants, who have joined service during the previous month and submit it in the prescribed format (Annexure II) to the associate bill-passing Accounts Officer by 7th of each month. Annexure I will be retained by the bill drawing officer and will be placed in the service book of the employee.

(ii) Since the Pension Fund Account number and ledger thereof will be permanent records, the permanent accounting units viz., divisional/workshop/HQ Office etc only shall be nominated as

Associate Accounts Office for this system and the project railways/construction offices may be attached to Divisional Accounts Office under whose regional jurisdiction such project/construction offices are situated. These offices after passing of salary bills will transfer the salary debits to the concerned accounting units through transfer certificate for accountal against relevant work/expenditure head of account. This will ensure proper maintenance of records, timely submission of information to CPAO for the present and timely flow of funds to PFMs when they come into being.

(iii) FA&CAO shall issue suitable local procedure order to ensure effective implementation of the new system.

(i) On receipt of the information (Annexure-II) from the bill-drawing officers, the associate bill passing Accounts Officer will allot a unique 16 digit permanent pension account number as under:-

1st to 4th digit	Calendar year in which the account is opened (To be allotted by Railway)
5th digit	Ministry Code as allotted by CGA (Code No. "5" has been allotted to Railways by CGA).
6th to 8th digits	Zone/Production Unit Code (As per FMIS Programme to be allotted by FA&CAOs themselves prefixing '0' to the existing 2 digit railway code e.g., 3-digit numerical code for ECR will be 030).
9th to 11th digits	Associate Accounting Unit Codes to be allotted by FA&CAOs themselves starting from 001.
12th to 16th digits	Employee Number (To be allotted by Associate Accounts Office concerned starting from 00001 running fro January to December of a calendar year)

FA&CAO shall be the nodal officer for each Railway/Production Unit and Dy.CAO/General shall be the officer-in-charge at HQ office responsible for this system to correspond with the office of CPAO. For this purpose particulars of Associate Accounts Officers and FA&CAO may be sent to CPAO in the enclosed format in both soft and hard copy by 05-03-2004 under advice to Board's Office. The name, postal address, telephone number, FAX number, e-mail address etc. of Dy. CAO/G may also be sent. The name and address of the nodal officers in Central Pension Accounting Office are as under: -

1. Name : Smt. Vandana Sharma
   Designation: Chief Controller (Pensions)
   Address : Central Pension Accounting Office
   Trikoot-II, Bhikaji Cama Place
   New Delhi-110066
   e-mail : cccpao.nic.in
   Telephone : 26169405, 26174864 FAX No. 26167326

2. Name : Shri Sunahari Lal
   Designation: Controller of Accounts
   Address : Central Pension Accounting Office
   Trikoot-II, Bhikaji Cama Place
   New Delhi-110066
   Telephone : 26174809

j) The Associate Accounts Officer will maintain an index register (Annexure-III) for this purpose which shall indicate the name of the Railway servant, date of birth, designation, name of office, scale of pay, pay, nominee for the pension fund and the employee serial number allotted etc. Necessary entries should be made in this register at the time of allotment of number to the new Railway servant.

k) The Associate Accounts Officer shall return to the Drawing officer concerned, a photocopy of the statement duly indicating therein the account numbers allotted to each Railway employee by 10th of each month. The drawing officer shall intimate the account number to the Railway servant concerned and also note the same in the Pay Bill Register.

l) The particulars of the Railway servant received from various drawing officers will be consolidated by the Associate Accounts Officer in prescribed format (Annexure-II A) and sent to FA&CAO by the 12th of each month. The FA&CAO shall consolidate the particulars in the prescribed format (Annexure-II B) and forward the same to Central Pension Accounting Office by 15th of the same month for feeding the information in their computer. The information will also be sent through e-mail. A copy of this statement may also be endorsed to Board's Office till further orders.

m) The Drawing Officers shall prepare separate Pay Bill Registers in respect of the Railway servants joining service on or after 1.1.2004. They shall also prepare separate pay bills in respect of these Railway servants and send the same with all the schedules to the associate bill passing Accounts Officer as per salary bill programme in vogue.

n) The Drawing Officers shall prepare a recovery schedule in duplicate in prescribed form (Annexure-IV) for the contributions under tier I and attach them with the pay bills. The amount of contributions so made should tally with the total amount of recoveries shown under the corresponding columns in the Pay Bill.

o) *(i)* These recoveries and interest payable will be classified as credits under the following head of accounts:-

Public Account
Sub Sector K – Deposit & Advances Section (a)
Deposit bearing interest
Major Head: 8342-Other Deposits.
Minor Head: 120-Misc. Deposits.
Sub-Head:-Defined Contribution Pension System.
Detailed Head:
Employee's Contribution under Tier-1
Government's Contribution under Tier-I.
Interest on contributions under Tier-I

(ii) The interest payable will be debited to the following head of accounts:-

Major Head 2049 :- Interest Payments.
Sub Major Head 60 :- Interest on other obligations.
Sub Head :- Interest on New Defined Contribution Pension System
Detailed Head :- Interest on Contribution on tier-1
Object Head :- Interest

The said amount of interest will be credited to Detailed head-Interest on Contributions under Tier-I under the existing Major head-8342 mentioned above. Government has decided to allow interest linked to GPF rate, which is presently 8% p.a., on the above amount. Detailed instructions with regard to interest calculation will follow.

(iii) The proposal for introduction of the newly proposed account heads is presently under consideration of Ministry of Finance and C&AG of India. Further instructions in this regard will follow shortly after which FA&CAOs may open these new accounting heads in their books of Accounts and FA&CAO/S.C. Railway may ensure issuance of necessary correction slip in the Account Current Programme for this purpose.

p) It may be noted that alongwith the salary bill for the Railway servants, who join service w-e-f- 1-1-2004, the drawing officer shall also prepare a separate bill for drawal of matching contributions to be paid by the Government and creditable to the pension account.

q) The expenditure on matching contribution by Government shall be debited to a new primary unit namely "Matching Contribution of Central Government towards Defined Contribution Pension System" under the service expenditure head concerned. Necessary ACS in this regard has already been issued vide Board's letter of even number dated 17/2/04 (copy enclosed). The amount of Government's contribution will be transferred to the pension account by debiting to the above head and crediting to the deposit head mentioned in sub-para (o) above, and as such net amount payable will be nil. The bills for drawal of matching Government's contribution shall also be supported by the schedules of recoveries in form enclosed as Annexure-V.

r) On receipt of salary bills in respect of Railway servants joining service on or after 1/1/2004, the Associate Accounts office shall exercise usual checks before passing the bill and making payments. After the payment is made, one set of schedules relating to pension contribution shall be detached from the bill and passed on to the section responsible for posting of credits of contributions in the ledger account of the Railway servant.

s) The Employee's contribution under tier-I & II and the Government's contribution under tier-I shall be posted in different columns of individual ledger account in the format as at Annexure-VI and the total thereof reconciled with the general books.

t) These accounts should not be mixed with SRPF/GPF accounts and should be maintained independent of the PF accounts maintained in case of pre 1/1/2004 entrants.

u) *(i)* The Associate Accounts Office shall consolidate the information available in the New Pension System schedules received from the various drawing officers and forward the same in prescribed form (Annexure-VII) to FA&CAO by 12th of the month following the month to which the credit pertains. The FA&CAOs shall consolidate the information and send the same to the Central Pension Accounting Office by 15th of the month in prescribed format (Annexure-VII A) both in hard and soft form. However, no accounts will be transferred to CPAO by the Associate Account Officers/FA&CAOs.

(ii) A copy of the above statement may also be endorsed to Board's Office till further order.

(iii) CPAO on receipt of this information will update its database and generate exception reports for missing credits, mismatch etc., which will be sent back to the FA&CAO concerned for further action.

v) In case any government servant is transferred from one accounting unit to another, the balances will not be transferred. However, the drawing officer shall indicate in the LPC of the individual the unique account number, the month upto which the Railway servant's contribution and Government's contribution has been transferred to the pension fund. It may be noted that the unique Permanent Pension Account Number once allotted shall not be changed.

w) No withdrawal of any amount shall be permitted during the interim arrangement. However in the event of the death of the Railway servant, the accumulations under Tier-I will be paid to his/her spouse/dependents.

x) At the end of each financial year, the CPAO will prepare an annual statement showing the details of deductions and contributions made by the Government and also interest, if any, allowed by the Government and forward it through FA&CAO/Associate Accounts Office to the Drawing officers where the Railway servant is presently working, to give the same to him/her.

y) After the close of each financial year, CPAO will also report the detail of the balances (Accounting unit wise) to each FA&CAO, who will forward the information to each Accounts Officer for the purpose of reconciliation. The Accounts Officer shall reconcile the figure of contributions posted in the ledger account of individual railway employee concerned with the figures as per the statement received from CPAO.

z) Detailed instructions with regard to transfer of balances will be issued after the appointment of regular CRA and Fund Managers.

Kindly issue suitable guidelines/procedure orders to the concerned staff accordingly and ensure strict compliance of these instructions. The statements due to be submitted to CPAO during February, 04 may be submitted at the earliest while including the same in calendar of returns to ensure adherence to the stipulated target dates in future.

Kindly acknowledge receipt.

DA: As above.

(J. Srinivas)
Director Finance/CCA
Railway Board

Copy to :-

(i) Jt. CGA, Office of Controller General Of Accounts,Ministry of Finance, Department of Expenditure, Lok Nayak Bhawan New Delhi-110003.
(ii) Chief Controller (Pensions), Central Pension Accounting Office, Trikoot-II, Bhikaji Cama Place, New Delhi-110066.
(iii) Dy.C&AG of India (Railways), Room No. 224, Rail Bhawan, New Delhi-110001.
(iv) DS(G), PAO, F(E)-III, Budget, Cash-I, II, III, V, ERB-I, II, III, IV, AC-I, AC-III, A/Cs-Appropriation, Code Revision branches of Board's office

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