

**GOVERNMENT OF INDIA
SOCIAL JUSTICE AND EMPOWERMENT
LOK SABHA**

UNSTARRED QUESTION NO:5510

ANSWERED ON:29.08.2001

DAVE COMMITTEE ON PENSION LIABILITY

A. VENKATESH NAIK;ASHOK NAMDEORAO MOHOL;RAMSHETH THAKUR

Will the Minister of SOCIAL JUSTICE AND EMPOWERMENT be pleased to state:

- (a) whether the working group on pension liability has recommended that the existing Government employees should also be gradually shifted towards a limited pension system from existing wage linked pension plan;
- (b) if so, the reaction of the Government thereto alongwith the reasons therefor;
- (c) the details of the other recommendations relating to the pensions to Government employees; and
- (d) the reaction of the Government on these recommendations?

Answer

MINISTER OF STATE OF THE MINISTRY OF SOCIAL JUSTICE AND EMPOWERMENT (SMT. MANEKA GANDHI)

(a) The Working Group on Pension Liability set up by the Department of Expenditure in its Report submitted in June 2001 has recommended a transition from the existing pension system to a funded system of pension payment for new employees as well as provision of appropriate incentives for existing employees to move to a (partial) Defined Contribution System.

(b), (c) & (d) The Working Group on Pension Liability has suggested introduction of a Defined Contribution System which may be partial or totally funded. It has also mentioned that there should not be corresponding increases in employees' salary levels to compensate them for this contribution. Besides this, the Working Group has suggested that since pensions in the Government are a deferred wage component, the gravity of the burden of compensation to labour can be better judged by considering the wage and pension burdens together as a whole. They have also recommended strengthening of the data base relating to existing employees and pensions in terms of age profile and distribution so as to facilitate better fiscal planning.

The idea of introducing a pension scheme based on defined contributions had been reflected in the Budget Speech of the Finance Minister. The Hon'ble Finance Minister in the Union Budget 2001-02 has announced that in view of the Central Government Pension Liability having reached unsustainable proportions, it is envisaged that those who enter Central Government Services after 1st oct. 2001 would receive pension through a new pension programme based on defined contributions. He had also proposed to constitute a High Level Expert Group to review the existing pension system and provide a roadmap for the next steps to be taken by the Government. Accordingly the Government has set up a High Level Expert Group which is looking into the existing pension scheme and also the scheme to be introduced based on Defined Contributions including related issues like manner of funding, rate of contribution etc.