

ANNEXURE 'D'
 FORECAST OF DEFENCE PENSIONS EXPENDITURE FOR
 FUTURE 10 YEARS

Years	No. of Pensioners			Expenditure (in Crores of Rs.)	Total expenditure after inflation rate		
	Service Pension	Family Pen.	Total		At 6%	At 8%	At 10%
2000-2001	1477245	519032	1996277				
2001-2002	1499513	526857	2026370	Rs. 9658.69	10238.21	10431.39	10624.56
2002-2003	1521299	534511	2055810	Rs. 9804.29	10392.55	10588.63	10784.72
2003-2004	1543947	542468	2086415	Rs. 9946.73	10543.53	10742.47	10941.40
2004-2005	1566029	550226	2116255	Rs. 10094.81	10700.50	10902.39	11104.29
2005-2006	1587558	557791	2145349	Rs. 10239.19	10853.54	11058.33	11263.11
2006-2007	1608550	565166	2173716	Rs. 10379.98	11002.78	11210.38	11417.98
2007-2008	1631236	573137	2204373	Rs. 10517.21	11148.24	11358.59	11568.93
2008-2009	1653355	580909	2234264	Rs. 10665.54	11305.47	11518.78	11732.09
2009-2010	1674922	588486	2263408	Rs. 10810.16	11458.77	11674.97	11891.18
				Rs. 10951.17	11608.24	11827.26	12046.29

Note:- (1) The Basis for projection of the above data is the Amount of RE-2000-01 Rs.10539.93 Crores Defence Pension Budget projected by this office.
 (2) The Amount of Arrears of Pension to the extent of Rs.881.24 Crs. has been reduced and the regular liability has been taken into account for projection of the above data.

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REQUEST SET-1

The desired information is given in the enclosed Annexure 'A'

REQUEST SET-2

Sr No. 1 of Request Set-2

(1) Detailed explanations of the assumptions and methodologies used to calculate the projection of Defence Pension Budget are as under :-

- (i) Last years actual is taken as base for calculation of service Pension and Family Pension for the current year. The arrears for the previous years included therein are deducted as the same are not required in the current year. The Payments for 12 months which will continue to be paid are, however, retained.
- (ii) The amount of Gratuity and commutation are calculated in respect of the actual number of retirees for the current year. For this purpose the entitlement of one Pensioner is calculated on the basis of mean taken from computerised data. The total amount is determined after multiplying the number of retirees for the current year separately for commissioned officers, civilians and personnel below officer rank.
- (iii) The number of retirees for the current year are assessed by extrapolating the numbers available for 4 to 5 months of the current year. For this purpose the data available on computer is taken to workout the number of retirees for each month of the current year.
- (iv) The financial effect for calculation of service Pension and Family Pension is taken only for six months. This is because the individual retiring in April will draw Pension for 12 months and the individual retiring in March / hence six months average is taken for calculation of service and Family Pension. For the same reason provision for six months is made in respect of assessed retirees of the previous year.
- (v) The dearness relief is calculated on the gross basic Pension which is arrived at after deducting the amount of arrears and dearness relief already included there in and adding the amount of commuted portion of Pension.
- (vi) The amount of restoration of commuted portion of pension after 15 years from the date of retirement is also taken in the estimate.
- (vii) The normal wastage due to death etc is taken @ 2.5 percent of the amount of service and family pension on the yearly basis.

will draw pension for one month only.

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2. The information regarding impact of Vth C.P.C. from 1997-98 to 2000-2001 as desired at Sl. Nos 2 & 5 of the Request Set-2 are given in the Annexure 'B'.

3. The comparative statement of Vth C.P.C. vis a vis IVth C.P.C. as required at Sl. No. 3 of Request Set-2 can not be provided as these are not readily available. Moreover the recommendations of IVth C.P.C. and Vth CPC so far as the consolidation of pension is concerned, stand on different footing. In the IVth C.P.C. the existing pensioners were divided into four groups depending on the period of their retirement and the different rates of additional pension and dearness relief etc. were taken for consolidation of basic pension for each group. On the other hand as per the recommendations of the Vth C.P.C. the pension in respect of Pre'86 and Post'86 pensioners have been revised at the minimum of Vth C.P.C. Pay Scale of the post/rank last held by them irrespective of the date of retirement. Thus there has been a change in the basic concept of the recommendations of the Vth C.P.C. in comparison to earlier pay awards. Three illustrative examples in respect of Commissioned Officers, FEOs and Civilians are also enclosed.

4. A statement showing total number of Defence pensioners based on 1997 survey of pensioners as desired at Sl. No. 4 of Request set-2 is enclosed as Annexure 'C'. This was based on a one time walk-through exercise of physical counting of pension payment vouchers from where a summary of total pensioners was arrived at.

5. The pensionary liability over the next 10 years which was projected earlier has been reviewed in the light of discussion held on 10th Nov'2000 in the meeting of working Group and fresh forecast of expenditure on pension excluding the impact of arrears is given in the Annexure 'D' as desired at Sl. No. 6 of Request Set.2. Impact of arrears on account of pay revision in earlier budgets from 1997-98 to 2000-2001 has been deleted and factors as listed on Pags 13 - 14 of the Draft Report has been incorporated for forecasting the Defence Pension budget of next 10 years starting from 2000- 2001 onwards.

6. The rates of attrition of Defence Pensioners used by this office as desired at Sl. No. 7 of Request Set.2 is only 2.5% unlike 5% by Civil Departments. The main reason for less attrition rates compared to other civil Departments is due to the fact that the personnel below officer rank which constitute approximately 55% of total number of pensioners retire in their early age of life say after rendering qualifying service of 15 years to 32 years only as per terms of their engagement.

