वायु यातायात नियंत्रक गिल्ड (भारत)
AIR TRAFFIC CONTROLLERS' GUILD (INDIA)

CC/ATCG/WLF/2020/01

Date: 13.01.2020

The Chairman
Airports Authority of India
Rajiv Gandhi Bhawan
New Delhi - 110003

भारतीय विमानपत्तन प्राधिकरण
प्राप्त किया
दि. 13/01/20
हस्त.
अध्यक्ष का सचिवालय

Sub: Introducing National Pension System (NPS) in place of AAIEDCPS

Sir,

Kindly refer our earlier letters dated 07.02.2018 and 21.02.2019 on the subject implementation of AAI Employees Defined Contribution Scheme ((AAIEDCS). In the second letter ATC Guild had demanded that the interest earned by AAI due to non-implementation/delayed implementation of this scheme shall be transferred to employees account.

Instructions for formulation of superannuation benefit scheme had been issued by the Department of Public Enterprises, firstly, on 26th November, 2008, and followed up on 2nd April, 2009, by issuance of Office Memoranda. In terms of this Scheme, more particularly vide clause v of Annexure IV under para 12 of the Office Memorandum dated 26th November, 2008, CPSEs had been allowed 30% of basic pay as superannuation benefits, which may include CPA, Gratuity, Pension and Post Superannuation Medical Benefits. The dictum of the Office Memorandum dated 26th November, 2008 was that the CPSEs should make their own Scheme to manage these funds or operate through insurance company on fixed contribution basis and the amount of Pension and Post Retirement benefit would be decided based on the returns from the Schemes to be operated. The Pension could be extended, according to the said Office Memorandum, to those executives who superannuate from the CPSEs after having putting a minimum 15 years of service prior to superannuation. We have been apprised in the past that the Board of Directors of Airports Authority of India in its meeting held on 30th June, 2014 approved the proposed scheme of Superannuation Benefit Scheme with employer's contribution @ 10% of (Basic+ D.A} per annum uniformly for the period from 1st January, 2007 to 31st December, 2016 in respect of eligible employees. The proposal submitted by the in house committee made the contribution remittable by the employer compulsory whereas if left it to the option of the employees to make contribution towards enhancement of their pensionary benefits, if the employees would so desire to make such contribution. Such contribution of the employer was proposed to be maintained in a separate account of the Trust to be established for such purpose. The corpus of the Trust would constitute such employer's contribution along with interest accrued thereon in the account of every employee. On entitlement of benefits, the annuity would be purchased from the amount of the corpus by the Trust from approved insurance company for getting monthly pension.

O/c

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Even though the scheme is rolled out, the decision regarding transfer of interest to the employee's account has been withheld despite the decision of the AAI Board. The employees are severely impacted due to indecision. For example, the annuity value over the years has significantly eroded only and only due to the delay in taking timely decision, be it by the HR or Finance directorate. Who is responsible for this loss? Poor employees are at the mercy of some non-performers.

Due to significant erosion of the return on annuity, it will be prudent to put the contribution of employees in the National Pension System, a Government of India scheme, initially introduced in lieu of Central Government Pension. Now it has been more broad-based and we are eligible to put our contribution in this scheme. The salient features of the scheme is placed below.

The Govt. of India in exercise of their executive power adopted National Pension System (NPS) based on Defined Contribution System with effect from 01.01.2004 for Govt. employees. The Pension Fund Regulatory and Development Authority of India (PFRDA) is the regulator of National Pension System. The PFRDA is responsible for appointment of various intermediaries in the National Pension System such as Central Record keeping Agency (CRA), Pension Fund Managers, Custodians, NPS Trust, Trustee Banks etc. The PFRDA monitor various intermediaries. The PFRDA has launched a separate model to provide NPS to the employees of Corporate entities including CPSEs since December, 2011. This model is titled NPS-Corporate Sector Model. The important features of NPS-Corporate Sector Model are:

(a) It is prudentially regulated transparent investment norms, regular monitoring and performance, review of Fund Managers of NPS Trust.

(b) Low cost. NPS is considered to be the world's lowest cost pension scheme. Administrative charges and fund management fee are also lowest.

(c) Ensures complete portability. NPS accounts can be operated anywhere in the country irrespective of employment and geography.

(d) Flexibility. Choice of investment mix and pension fund manager or auto option to get better returns.

(e) Simple and web-enabled/online. All transactions can be tracked online through Central Recordkeeping Agency (CRA). Employer and employee can check funds and contribution status through CRA website.

In addition to the above, the following benefits are there for the employer and employee.

(1) Till the retirement pension wealth accumulation grows over a period of time with a compounding effect. The account

maintenance charges being low, the benefit of accumulated pension wealth to the employee eventually become large.

(2) Deductions under Section 80CCD(1) of Income Tax for employer contribution up to Rs.1.5 lakhs.

(3) Additional deduction of Rs.50000/- for employees contribution under Section 80CCD(1)(b) of Income Tax over and above under Section 80CCD(1) of Income Tax

(4) Deduction of employer's contribution up to 10% of Salary(Basic Pay + DA)

(5) Part withdrawal for specific purpose as per NPS as amended from time to time.

(6) Commutation/withdrawal of 60% of the corpus with complete tax exemption.

(7) Compulsory annuity of 40% of total corpus.

(8) Choice of Fund Managers and mode of investment to individual employees.

(9) Employee can maintain the account up to the age of 70.

(10) In case of corpus fund stood below Rs.2 lakhs, there is no need to invest in the annuity scheme and can be withdrawn in full.

(11) In the event of death, option will be available to the nominee or legal heir to receive 100% of entire accumulated pension wealth and there would not be any purchase of annuity or monthly pension.

(12) Partial withdrawal is allowed up to 25% of the contribution made by the employee.

(13) Subscribers will receive a PRAN Card which can also be used as ID proof.

It is needless to mention that a handful of CPSEs has already migrated to NPS considering the advantages and flexibility, tax exemption etc. The NPS is paving way to better social security benefits to the retired official at the time of rising life expectancy. The CPSEs like NALCO, CWC, Konkan Railway Corporation, National Handloom Development Corporation, Rural Electrification Corporation Ltd., Indian Infrastructure Finance Company, India Trade Promotion Organisation, BPCL etc. has opted NPS for their employees in place of Defined Contribution Pension Scheme.

In this context, it is informed that a conference on NPS for CPSEs has already been organized by PFRDA to facilitate the CPSEs to implement NPS for their employees and for informing CPSEs the benefits and all features of NPS. Further, minimum 15 years of service condition has been dispensed by DPE on the recommendation of 3rd Pay Revision Committee to facilitate/promote NPS defined pension contribution scheme. Separately, the Govt. of India has also amended IT Act providing tax free migration of superannuation funds to NPS. This provision will facilitate CPSEs to implement NPS for their employees.

The return of annuity has not been attractive as it ranges from 6% to 7%. Though the annuity ensures regular flow of income after retirement, low annuity rates is a cause of concern. Another disadvantage of annuity is that they do not fight spiralling inflation. Therefore, 100% accumulated corpus fund compulsorily investing in annuity after retirement will not be beneficial as envisaged in the current AAIEDCPS to be introduced by AAI. Whereas in NPS, 60% of accumulated corpus fund can be withdrawn/commutated at the time of superannuation with full tax exemption. The employees can set aside this 60% corpus fund for emergency expenses, special needs or unforeseen expenditure.

In view of the above, it is very clear that the AAIEDCPS planning to be rolled out in AAI is lacking attractive features of NPS, flexibility and high operating cost and no online/web-enabled platform, compulsory annuity investing of 100% accumulated corpus fund and less tax benefit which will be badly affecting the employee's future social security income requirement.

As such, it is kindly requested to introduce/migrate to NPS defined contribution scheme managed by the PFRDA for CPSEs in place of AAIEDCPS with effect from 01.04.2020 which will be highly beneficial and with many added features, as it is done in other CPSEs.

Assuring you best cooperation.

Kind regards,

(Alok Yadav)
General Secretary

Copy to: Member (HR)/Member (Fin), AAI

13/01/2020

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