# Old pension scheme: Will the promise be kept?

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Pensioners cannot forget the case filed by D. S. Nagara, who had retired as an officer of Defence Service (Audit and Accounts services) in 1972. Y. V. Chandrachud , the then Chief Justice of the Supreme Court, who presided over a five-member Constitutional Bench, delivered a historic verdict. He said categorically, “Pension is not like the coins dropped as alms on the plate of a beggar. It is workers’ legal entitlement.”

The day when the judgment was delivered (December 17, 1982) has been observed as ‘Pensioners’ Day’ till now. At a time when the 40th Pensioners’ Day is set to be celebrated on December 17 this year, a situation is being created wherein no pension will be given in the name of the New Pension Scheme.

**The terrains trodden so far**

It was job security, social security and pension, main features of a government job, which set off a mad scramble to land a government job. The pension scheme was very much in vogue during the British raj itself. Pension got stabilised owing to Pension Law (1834), Royal Commission (1856) and Bill to Amend Pension Law (1867). A resolution was passed at the Karachi Congress conference to continue the pension scheme.

Our Constitution guarantees education, job, pension and relief in case of natural disasters. There are four types of pension scheme in India, which have a government guarantee. But the government gives no guarantee whatsoever under the New Pension Scheme. It is only the stock markets that can take decisions.

**Body blow to social security**

In fact, problems started in 1991 when the new economic liberalization policy was introduced. Around 2000, the International Monetary Fund and the Dr. Bhattacharya Committee recommended a contributory pension scheme in the place of the old pension scheme, saying, “Pension is a drain on the public finance.”

New pension scheme was introduced on December 22, 2003 during the BJP regime. At the introduction stage itself, the Members of Parliament belonging to the Left parties opposed it tooth and nail. So, the law was not passed; instead, the new pension scheme was changed into contributory pension scheme applicable to those joining the government service from Jan.1, 2004.

Back in Tamil Nadu, the pension scheme was introduced with effect from April 1, 2003 during the reign of Jayalalithaa by way of taking vindictive measures against the government employees who had taken part in a strike in 2002.

**Disadvantages of contributory pension**

Under the contributory pension scheme, 10 per cent of an employee's salary (pay + DA) will be deducted and the government contributes 10 per cent (14 per cent in Central government service). The funds thus contributed will be invested in mutual funds and equities including those of UTI and LIC approved by the Pension Regulatory Commission. The interest rates on the funds will be subject to the vagaries of the stock market. Major chunks of interest running to thousands of crores of rupees were lost during the 2008 stock market crash. So, there is no guarantee on investments.

Under the old pension scheme, 50 per cent of the defined salary used to be paid as pension (without any amount deducted from the salary). But under the new pension scheme, the retirees will be paid only 60 per cent of the total money with the remaining 40 per cent invested in the pension scheme. Pension will be calculated and paid, depending on the stock market conditions.

**Financial burden?**

Crores of people have become members of the new pension scheme since it was introduced. The private sector employees too can join the scheme. As of now, the total amount that the employees of both union and state governments have deposited under the new scheme is Rs.6,30,376 crore. When the defined pension scheme was introduced in 1954, the money deposited in the employees' contributory provident fund was used as a revolving fund. Today PF pension is paid, using a part of the total PF funds as a revolving fund. If the union and state governments think funds crunch is their major problem, they can pay pension, using as the revolving fund the total amount of Rs.6,30,376 crore collected by way of contributions from the government employees. The government then will not have any financial burden.

Way back in 2013 the then Finance Minister P. Chidambaram said that all state governments need not join the new pension scheme when the law was enacted in Parliament. West Bengal has so far

not joined the scheme. This scheme was implemented in Tripura when the BJP came to power. As of September 30, 2022, there are 6,02,377 members enrolled in the scheme in Tamil Nadu. The total amount of their contributions is Rs.53,000 crore. But the AIADMK government had not used the funds in proper investments and hence, Tamil Nadu had to lose thousands of crores of rupees by way of returns. The AIADMK government had not joined the Provident Fund Regulatory and Development Authority. So, there is no problem in walking out of this scheme.

If a union government employee, who has joined the new pension scheme, dies in harness, he/she will be paid family pension and gratuity according to the old scheme. But this does not apply to the state government employees. So, the question arises if the state government itself does not respect the gratuity law.

The DMK had, in its election manifesto in 2021, promised restoration of the old pension scheme. But over one year has elapsed since the promise was made.

The Congress captured power in Himachal Pradesh, making the same promise. Its government announced at its first Cabinet meeting the restoration of the old pension scheme. The old pension scheme has already been restored in Rajasthan and Chhattisgarh.

Let us hope that the Tamil Nadu CM will follow suit.

**Translated by V. Mariappan**.