SINGARENI RETIRED OFFICERS WELFARE ASSOCIATION

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To

Date : 06/02/2018

Shri.Piyush Goyal
Honourable Minister of Coal
Ministry of Coal, Shastribhavan,
New Delhi - 110 001

Dear Sir,

Sub: Non-Revision of pension under Coal Mines Pension Scheme 1998 (CPMS 1998) since inception of the scheme 20 years ago, seriously affecting the right to live with dignity and honour, of the 5.0 lakh pensioners of Indian coal mining industry—seeking your urgent intervention—regarding

As you are kindly aware Coal Mines Pension Scheme 1998 (CMPS 1998) framed under Coal Mines Provident Fund & Miscellaneous Provisions Act 1948 is in the nature of a "defined benefit—defined contribution" plan in its formulation aptly comparable with Employee Pension Scheme 1995 (EPS1995) framed under Employee Provident Fund Act, 1952.

Apart from employer and employee contributions, government also contributes to the CMPS 1998 Scheme similar to the EPS 1995 scheme. While the contribution of the government has increased to Rs.175 per employee per month in EPS 1995 scheme, it has remained stagnant at Rs.27 since inception of the scheme 20 years ago.

Drastic reduction in departmental manpower from 7.5 lakhs (at the inception of the scheme in 1998) to about 4.0 lakhs now, in Indian public sector coal mining industry, has resulted in substantial reduction in contribution to the pension fund.

Further the coal production from CIL and SCCL has increased from 296 million tons in 1998-99 to 662 million tons in 2016-17 due to outsourcing of core mining activities but the contract labour's contribution to the pension fund is very meagre due to their very low wages and majority of them being not members of the pension scheme, thus affecting the healthy growth of the pension fund over the years.

Though there is a provision in the scheme for review every 3 years and increasing pensionary benefits based on actuarial valuation, there was no revision of pension since inception of the scheme 20 years ago. As per the report of the Actuary, the pension fund shows a deficit of Rs. 40,976.64 crores against the available corpus of Rs. 13,413.52 crores only as of 31.03.2015.

As a result there are a large number of pensioners getting a meagre pension of Rs.350/- per month or even less, depending on their pensionable service while fixing the pension, thus seriously impeding their fundamental right of living with dignity and honour, guaranteed by our Constitution, in their sunset years.

Unlike the pay revisions for the central government employees which take care of the pay revision as well as pension issues, the pay revisions of executives and non-executives of coal industry are leaving the pensioners high and dry, making them a forgotten and neglected lot. Though it is a settled law (D.S.Nakara and Others Vs Union of India) that the old pensioners cannot be discriminated by not revising their pension from time to time as provided in the scheme, while the new pensioners under the same scheme are enjoying substantial pensionary benefits owing to periodic pay revisions, no decision was taken by the Board of Trustees of CMPFO since inception of the scheme. The relevant extracts of the minutes of BOT meetings is enclosed at Annexure-1

CAG in its latest report (12 of 2017) has pointed out the gross negligence and indecision of the BOT in protecting the interests of the pensioners. Relevant extracts enclosed at Annexure-2

In the light of the above we sincerely request you to consider the following and pass necessary orders to protect the interests of pensioners of Indian coal mining industry.

1. Please treat the 5.0 lakh pensioners of Indian coal mining industry as one class by maintaining parity between the old and new retirees under the pension scheme so that the pensioners can live a life with dignity and honor in their sunset years, a fundamental right guaranteed by the Constitution.
2. Keeping in view the hazardous nature of the coal mining occupation, which is comparable to that of the uniformed forces guarding the national borders, a suitable scheme on the lines of **'One rank One pension'** sanctioned by the government for the uniformed forces, shall be framed and implemented for the 5.0 lakh pensioners under CMPS 1998 with effect from 01.04.1998.

   Or

   In the alternative **to revise the pension scheme so that no old retiree of the Coal Industry would get less than 50% of the pension which a new retiree gets after his retirement from the same Post/Grade.**

Awaiting your favourable decision at the earliest.

Thanking you Sir

Yours Sincerely,

(J.V.Dattatreyulu)
General Secretary

Annexure-1

Indecision of Board of Trustees of CMPFO

(Relevant extracts from the BOT meetings)

In 132nd BOT meeting held on 14.03.2001 Sri Bhudev Chatterjee, Actuary was appointed by BOT to evaluate and review the CMPS. The report was submitted in Feb, 2002, as at 31.03.2001. Again, re-valuation was done by aforesaid Actuary and resubmitted on 29.07.2003 as at 31.03.2001.

After going through the report, **BOT on 25.08.2004** resolved to have a second opinion from another Actuary empaneled under Actuarial Society of India.

Sri Liyaquat Khan was appointed for 2nd opinion, who submitted report as at 31.03.2005 in July, 2006.

The report of Md. Liaquat Khan, Actuary reflected a deficit of Rs.1946.67 crores in the corpus as on 31.03.2005. The Board of Trustees, Coal Mines Provident Fund Organization preferred a third evaluation report from an Actuary, due to the inadequacy of the data supplied by the Coal Companies, and its limited accuracy.

On valuation of Coal Mines Pension Fund and review of the CMPS, 1998, an in-house report was submitted in **151st meeting of BOT, CMPFO held on 18.03.2010** wherein it was resolved to have a study report in the matter from a professional actuary.

In the **155th meeting of BOT held on 18.04.2012** at Kolkata proposal for revision of pension in a graduated manner for the benefit of pension subscribers was placed.

Shri Liyaquat Khan, Actuary submitted a Draft Report on Actuarial Evaluation of CMPF' 1998 on 9.7.2012 which was placed in the **156th Meeting of Board (CMPF).** Board constituted a Committee to go into the details of draft actuarial report submitted by Actuary, Shri Liyaquat Khan.

The Expert Committee report based on the report of the Actury Sri Bhudev Chaterjee was placed in the Meeting of **157th BOT,CMPFO dated 22.02.2013**, wherein Dir(P&IR),CIL informed that the matter will be examined with further studies by Actuary and matter also will be brought for consideration with JBCCI.

In the **158th BOT meeting held on 18.07.2013** it was decided that a committee comprising of Economic Advisor, MOC, JS&FA,MOC, one person from CMPFO and one person from EPFO should analyze the actuarial report and submit their findings within four months' time. It was also resolved that a Committee consisting of Dir(Per),CIL, Economic Adviser, MOC, and Sri Bhudev Chatterjee, Actuary should meet to look after the subject. Board directed CIL to take a decision in this regard after consultation with JBCCI without further delay as the sustainability of the Pension fund depends on this.

In the **163rd BOT (CMPF) meeting held on 15.01.2015** at Kolkata,. Director (P), CIL informed that a meeting with JBCCI in this regard will be held on 27.01.2015. The Board noted the position and advised CIL to take a decision without further delay.

A committee is formed to discuss and suggest various improvements and modifications, under the Chairmanship of Dir(P),CIL Sri Mohan Das, comprising Sri Vijay Kumar, Addl. Central P.F. Commissioner, Kolkata, Sri S.K.Sinha RC(CP), CMPFO, Sri P.K.Rai President, SEKMS, Chattisgarh ,Sri D.D. Ramanandam, President NCOEA(CITU) and invitee Commissioner, CMPFO.

The committee in its report dated 11.06.2015 inter-alia recommended "Considering the wide gap between the amounts of monthly pension of employees superannuated at various points of time, the issue pertaining to '**One rank-One pension**' as being considered in Defence Forces, would be deliberated with the concerned for implementation".

164th meeting of BOT Dt.25.06.2016

Chairman BOT welcomed all the members and emphasized that CMPFO and the EPFO organizations are with a similar working pattern, that the EPFO has a well-developed and automated systems to provide efficient service to its members and CMPFO to work along those lines and adopt the developed systems of EPFO.

165th meeting of BOT dt.29.09.2015

Item No. IV: Proposed amendment in the CMPF&MP Act 1948, CMPF Scheme, 1948 and CMPS 1998.

Decision

On detailed discussion the Chairman advised that the sub-committee of the Board on simplification should meet and examine the amendment proposals and their suggestions/recommendations should be placed in the subsequent BOT meeting.

166th meeting of BOT Dt.23.02.2016

Item no II: Summary of Action taken report on the minutes of 165th meeting of the Board of Trustees, CMPFO held on 29.09.2015.

3) Submission of Draft Report on Actuarial evaluation of CMPS 1998.
NOTED.

Item no.IV: Monthly credit of interest to CMPF subscribers.

on the issue of Amendment in the Scheme for the purpose, the Chairman directed that EPF rules, procedures & benefits should be reflected in the CMPF Scheme. Simplification of the scheme should be explained in terms of points of variation and congruence in comparison to the EPF Scheme.

Item no,VII: Appointment of Actuary for valuation of pension fund as at 31.03.2015
NOTED

Item No. X: Adoption of new investment guidelines issued by the Ministry of Finance Date.02.03.2015

Item no. XVI: Study Report on the erstwhile SAP system and Hardware requirement of CMPFO.

Decision

Board resolved as follows:

1) All processes of CMPFO should be digitised.
2) All processes frozen in the EPFO should be replicated in CMPFO.
3) Every process of should be studied and a flow chart prepared for every process.
4) M/S SAP may make a presentation to the Chairman at the earliest in Delhi.

5) The Board authorised the Chairman to take decision at his level in the matter.

Item no. XVII: Any other item with the permission of the Chair.

1) The matter of pension was discussed and it was decided that a detailed item on pension will be put up in the next meeting of the Board.

2) A status report on issues pending with CMPFO and that with the Government will also be put up in the next meeting of the Board.

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Annexure-2

Relevant extracts of CAG report and comments of CMPFO

(Report No. 12 of 2017)

Coal Mines Provident Fund Organisation

6.1 Management of Funds:

Non-implementation of recommendations of the actuary led to acute deficit in Pension Fund, incorrect diversion of funds from Provident Fund Account to Pension Fund Account, non-adherence to Ministry's guidelines for investment of Provident Fund of own employees, incorrect payment of interest, excess payment of pension, untraced balance of Rs.1.71 crore for more than seven years, non-linking of Current Accounts with Corporate Liquid Term Deposit Scheme and non-review of rate of administrative charges adversely affected financial interests of the members of the Coal Mines Provident Fund Organisation.

Coal Mines Provident Fund Organisation (CMPFO), an autonomous organisation under the Ministry of Coal (MoC), was established under the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948 to provide social security, inculcate a spirit of savings and to provide for the future of all eligible employees of coal industry (public or private sector) on their retirement or for their dependents. The Act was enacted to make provisions for administering Provident Fund (PF) Scheme, Pension Scheme and Deposit Linked Insurance (DLI) Scheme for persons employed in coal companies, and to provide them with lump sum retirement benefits, monthly pension/family pension, insurance coverage etc.

The Board of Trustees (Board) is the administrative agency for implementing the schemes and consists of representatives of Central/State Government, employers and employees. The Coal Mines Provident Fund Commissioner is the ex-officio member of the Board and overall in-charge of the Organisation. At the State level, the schemes are implemented through 24 Regional Offices (RO) located in different states, headed by Regional Commissioners. The Headquarters of CMPFO is located at Dhanbad, in Jharkhand.

The financial activities of CMPFO were reviewed to assess whether CMPFO:

- administered its funds effectively and efficiently to protect the financial interest of its members;

- reviewed the rate of recovery of administrative charge from employers to defray the cost of administration of the Provident Fund;

The audit covered the period from 2013-14 to 2015-16. Records maintained at Headquarters, Dhanbad and 13 ROs located at Jharkhand, West Bengal and Chhattisgarh were test checked.

6.1.2 Audit Findings:

Audit observed that funds of different CMPFO schemes were not effectively utilised leading to sub-optimal achievement of organisational objectives which adversely affected financial interests of the members. Audit also observed that internal audit, which is important to ensure monitoring and control, had not been conducted regularly in any of the ROs of CMPFO. The audit findings are discussed in the subsequent paragraphs.

6.1.2.1 Non-implementation of recommendations of the actuary led to acute deficit in Pension Fund.

As per Coal Mines Pension Scheme (CMPS), 1998, the Board is required to appoint an actuary every three years to review and value the Pension Fund every third year so that, the rates of contribution payable under the Scheme or the scale of any benefits admissible or the period for which such benefit may be allowed, may be amended if warranted.

Audit, however, observed that:

• Since introduction of CMPS in 1998, actuarial valuation of the Pension Fund was not conducted regularly every three years. So far, actuarial valuation of Pension Fund has been conducted in 2001, 2005, 2012 and 2013 but the recommendations were never implemented. The actuary appointed in October 2015 was required to submit the valuation report (as on 01 April 2015) by January 2016. The actuary, however, submitted the draft report for confirmation of the Management in October 2016, which was yet to be finalised (November 2016).

• The "Committee of Group of Officers" (represented by Ministry of Coal, Coal India Limited, Employees Provident Fund Organisation (EPFO) and CMPFO) constituted for examining the valuation report of actuary as on 31 March, 2012 had recommended (October 2012) re-modelling/ restructuring of CMPS 1998 and fixation of upper and lower ceiling of monthly pension in line with the provisions of Employees Provident Fund Scheme. The Committee also recommended (September 2013) enhancement of the Pension Fund by revising the rate of contribution. These recommendations were yet to be implemented (November 2016).

• The latest available valuation report of Pension Fund highlighted a net deficit of ` 19,698.58 crore as on 31 March 2013 after adjusting its value of assets (` 14,819.46 crore) and current contribution (` 6,643.21 crore) from total liability of ` 41,161.25 crore. The actuarial report had opined that if this trend of deficit was allowed to be continued for another 16 years, the balance of the fund would be eroded and those who contributed for the Pension Fund would not receive any pension. The report strongly recommended enhancement of the rate of contribution to 19.46 per cent of salary from the existing contribution rate of 4.91 per cent (effective since 1998) for sustainability of the Pension Fund. No action had been yet taken on this recommendation.

While accepting the audit contention, Management stated (August 2016) that any review or revision of pension under CMPS 1998 should be as per recommendation of the Board and as approved by the Central Government. Since the Board had not made

any recommendation on the reports of the actuary, revision of rate of contribution for Pension Fund had not been done.

Thus due to non-revision of the rate of contribution to the Pension Fund as per the recommendations of the actuary, there was a mounting deficit of ` 19,698.58 crore as on 31 March 2013, which may have serious implications on the financial interest of the existing as well as future pensioners. Audit noticed that in order to overcome the deficit in the Pension Fund, CMPFO had to resort to irregular diversion of fund from Provident Fund account, which is discussed in the subsequent paragraph.

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