

Modifications in the 7th CPC recommendations on pay and pensionary benefits approved by the Cabinet on 3rd May, 2017

The Union Cabinet chaired by the Prime Minister Shri Narendra Modi approved important proposals relating to modifications in the 7th CPC (Central Pay Commission) recommendations on pay and pensionary benefits in the course of their implementation. Earlier, on 29th June, 2016, the Cabinet had approved implementation of the recommendations with an additional financial outgo of ₹84,933 crore for 2016-17 (including arrears for 2 months of 2015-16).

The benefit of the proposed modifications will be available with effect from 1st January, 2016, i.e., the date of implementation of 7th CPC recommendations. With the increase approved by the Cabinet, the annual pension bill alone of the Central Government is likely to be ₹1,76,071 crore. Some of the important decisions of the Cabinet are mentioned below:

1. Revision of pension of pre – 2016 pensioners and family pensioners

The Cabinet approved modifications in the recommendations of the 7th CPC relating to the method of revision of pension of pre-2016 pensioners and family pensioners based on suggestions made by the Committee chaired by Secretary (Pensions) constituted with the approval of the Cabinet. The modified formulation of pension revision approved by the Cabinet will entail an additional benefit to the pensioners and an additional expenditure of approximately ₹5031 crore for 2016-17 over and above the expenditure already incurred in revision of pension as per the second formulation based on fitment factor. It will benefit over 55 lakh pre-2016 civil and defence pensioners and family pensioners.

While approving the implementation of the 7th CPC recommendations on 29th June, 2016, the Cabinet had approved the changed method of pension revision recommended by the 7th CPC for pre-2016 pensioners, comprising of two alternative formulations, subject to the feasibility of the first formulation which was to be examined by the Committee.

In terms of the Cabinet decision, pensions of pre-2016 pensioners were revised as per the second formulation multiplying existing pension by a fitment factor of 2.57, though the pensioners were to be given the option of choosing the more beneficial of the two formulations as per the 7th CPC recommendations.

In order to provide the more beneficial option to the pensioners, Cabinet has accepted the recommendations of the Committee, which has suggested revision of pension based on information contained in the Pension Payment Order (PPO) issued to every pensioner. The revised procedure of fixation of notional pay is more scientific, rational and implementable in all the cases. The Committee reached its findings based on an analysis of hundreds of live pension cases. The modified formulation will be beneficial to more pensioners than the first formulation recommended by the 7th CPC, which was not found to be feasible to implement on account of non-availability of records in a large number of cases and was also found to be prone to several anomalies.

2. Disability Pension for Defence Pensioners

The Cabinet also approved the retention of percentage-based regime of disability pension implemented post 6th CPC, which the 7th CPC had recommended to be replaced by a slab-based system.

The issue of disability pension was referred to the National Anomaly Committee by the Ministry of Defence on account of the representation received from the Defence Forces to retain the slab-based system, as it would have resulted in reduction in the amount of disability pension for existing pensioners and a reduction in the amount of disability pension for future retirees when compared to percentage-based disability pension.

The decision which will benefit existing and future Defence pensioners would entail an additional expenditure of approximately ₹130 crore per annum.

3. Changes in Pay Structure and Revision of the three Pay Matrices:

The Cabinet, while approving the 7th CPC recommendations for their implementation on 29th June, had made two modifications in the Defence Pay Matrix as under:

- (i) Index of Rationalisation (IOR) of Level 13A (Brigadier) may be increased from 2.57 to 2.67.
- (ii) Additional 3 stages in Levels 12A (Lt. Col.), 3 stages in Level 13 (Colonel) and 2 stages in Level 13A (Brigadier) may be added.

The Cabinet has now approved further modifications in the pay structure and the three Pay Matrices, i.e. Civil, Defence and Military Nursing Service (MNS). The modifications are listed below:

(i) Defence Pay Matrix has been extended to 40 stages similar to the Civil Pay Matrix: The 7th CPC had recommended a compact Pay Matrix for Defence Forces personnel keeping in view the number of levels, age and retirement profiles of the service personnel. Ministry of Defence raised the issue that the compact nature of the Defence Pay Matrix may lead to stagnation for JCOs in Defence Forces and proposed that the Defence Pay Matrix be extended to 40 stages. **The Cabinet decision to extend the Defence Pay Matrix will benefit the JCOs who can continue in service without facing any stagnation till their retirement age of 57 years.**

(ii) IOR for Levels 12 A (Lt. Col. and equivalent) and 13 (Colonel and equivalent) in the Defence Pay Matrix and Level 13 (Director and equivalent) in the Civil Pay Matrix has been increased from 2.57 to 2.67: Variable IOR ranging from 2.57 to 2.81 has been applied by the 7th CPC to arrive at Minimum Pay in each Level on the premise that with enhancement of Levels from Pay Band 1 to 2, 2 to 3 and onwards, the role, responsibility and accountability increases at each step in the hierarchy. This principle has not been applied in respect of Levels 12A (Lt. Col. and equivalent), 13 (Colonel and equivalent) and 13A (Brigadier and equivalent) of Defence Pay Matrix and Level 13 (Director and equivalent) of the Civil Pay Matrix on the ground that there was a disproportionate increase in entry pay at the level pertaining to GP 8700 in the 6th CPC regime. The IOR for Level 13A (Brigadier and equivalent) in the Defence Pay Matrix has already been revised upwards with the approval of the Cabinet earlier. In view of the request from Ministry of Defence for raising the IOR for Levels 12 A and 13 of the Defence Pay Matrix and requests from others, the IOR for these levels has been revised upwards to ensure uniformity of approach in determining the IOR.

(iii) To give effect to the decisions to extend the Defence Pay Matrix and to enhance the IORs, the three Pay Matrices – Civil, Defence and MNS – have also been revised. While doing so, two calculation errors noticed in the MNS Pay Matrix have also been rectified.

(iv) To ensure against reduction in pay, benefit of pay protection in the form of Personal Pay was earlier extended to officers when posted on deputation under Central Staffing Scheme (CSS) with the approval of Cabinet. The benefit will also be available to officers coming on Central Deputation on posts not covered under the CSS.