THE UTTAR PRADESH GAZETTE

Extraordinary

Published By Authority

Lucknow, Monday , 28th March, 2005

NOTIFICATION BY GOVERNMENT

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FINANCE DEPARTMENT

The State Government, in consideration of its long term fiscal interest and following broadly the pattern adopted by the Central Government, has approved the following proposal of introducing a new defined contribution pension system in place of the existing defined benefit pension scheme, for new entrants to the service of the State Government and of all State controlled autonomous institutions and State - aided private educational institutions where the existing pension scheme is patterned on the scheme for Government employees and is funded by the consolidated fund of the State Government:-

(i) From 1st of April, 2005, the new defined contribution pension system would mandatorily apply to all new recruits to the service of the State Government and of all State controlled autonomous / State aided private educational institutions referred to above. However, employees covered by the existing pension scheme whose service would be of less than ten years on 1st April, 2005 may also voluntarily opt for the new pension system in place of the existing pension scheme.

(ii) Under the new defined contribution pension system, the employee would make a monthly contribution equal to 10 percent of the salary and dearness allowance. A matching employer's contribution would be made by the State Government or by the concerned autonomous institution / private educational institution. However, the State Government would provide grant to the concerned autonomous institution private educational institution for making employer's contribution until the institutions is at a position to make the contribution itself. The contribution and investment returns would be deposited in an account to be known as pension tier I account. No withdrawals would be allowed from this account during the service period. The existing provisions of defined benefit pension and GPF would not be available to the new recruits covered by the new defined contribution pension system.

(iii) Since new recruits would not be able to subscribe to GPF, they may also have a voluntary tier II account, in adition to the pension tier I account. However, employer would not make contribution to tier II account. The assets in Tier II account would be invested / managed through exactly the same procedure as for pension tier I account. However, the employee would be free to withdraw part of all the ' second tier ' of his money anytime.

(iv)Employee can normally exit tier I of the pension system at the time of retirement. At

exit the employee would be mandatorily required to invest 40 percent of pension wealth to purchase an annuity from a recognized insurance company so as to provide for pension for the lifetime of the employee and his dependent parents and his spouse at the time of retirement. The remaining pension wealth would, however, be received by the employee as a lump sum which he would be free to utilise in any manner. In case of employee exiting the pension tier I before retirement, the mandatory annuitisation would be 80 percent of the pension wealth.

(v) There would be several pension fund managers who would offer mainly three categories of investment options. The pension fund managers and the record keeper would jointly give out easily understood information about past performance so that the employee is able to make informed choices of the investment options.

2. The effective date for operationalization of the new pension system shall be 1st of April, 2005.