



A STUDY SHOWING FUND AVAILABILITY FOR ENHANCEMENT OF PENSION UNDER CMPS-1998

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1. PREAMBLE

Coal mines employees are covered under Contributory Pension Scheme CMPS-1998. This Scheme is administered by the Coal Mines Provident Fund Organization (CMPFO) working under the Ministry of Coal covering roughly coal employees retired after 31st March, 1994.

2. NEED FOR RESTRUCTURING PENSION SCHEME

In Part II of the 12th report of PAC No. 2193 report, under **Restructuring of Coal Mines Pension Scheme**, it is mentioned that, *“The Committee strongly express the need for undertaking a review exercise of the existing Pension scheme. It is imperative to revamp the scheme so as to enable in payments being commensurate with the contributions received. The Ministry in this regard is needed to guide CMPFO in strengthening the fund through appropriate measures/amendments.”*
https://164.100.47.193/lsscommittee/Public%20Accounts/17_Public_Accounts_12.pdf

In this regard, Action Taken by the Government on the Observations/Recommendations of the Committee contained in their 12th Report (17th Lok Sabha), it is stated that, *“For the sustainability of fund, Ministry is working on multipronged strategy viz. capping of maximum pension, extension of period for arriving average salary for fixation of pension and appointment of actuary to suggest further measure for sustainability of fund.”*
https://164.100.47.193/lsscommittee/Public%20Accounts/17_Public_Accounts_36.pdf

On the request of BoT of CMPFO, CIL Board approved to enhance the non-coking coal price by Rs.10/- per tonne for Regulated and non-Regulated sectors across CIL towards contribution to the corpus of CMPS 1998. This came into force from 00:00 hours of 1st Dec.'2020.
<https://www.coalindia.in/media/documents/nsebse23112020.pdf>

Taking the next step, in 176th BoT Meeting deliberations on 16-8-2022, the Board agreed to the proposal for enhancement of contribution from Rs. 10 per ton to Rs. 20 per ton. For additional contribution, a recommendation may be sent accordingly to the Ministry of Coal for approval. It is learnt that, ultimately this enhancement to Rs 15 per tonne is under process.

Here we analyze whether this cess can allow pension enhancement under CMPS-1998.

3. ESTIMATION OF SURVIVING PENSIONERS AS IN 2021-22

The present lot of 6.06 lakhs (approx.) pensioners constitute of surviving pensioners over the years since 1994-1995. Considering the mortality rate among elders in India, the following Table-1 is obtained. (vide <https://www.statista.com/statistics/1302846/india-mortality-rate-among-elderly-by-age-group/>)

Thus, in the year 1994-1995, there were estimated 256378 out of which at an age of 87 years in 2021-22, a total of 2564 pensioners are estimated to be still surviving considering a mortality rate of 99%. Thus, these 2564 pensioners still estimated to be alive 27 years after 1994-95 and eligible for pension enhancement.

Thereafter, next year in 1995-96, there were 264308 pensioners which means that 7929 pensioners were added during this year. Out of these 7929 pensioners added in 1995-96, considering the respective



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mortality rate of 98% at an age of 86 years in 2020-21, there are 159 pensioners estimated to be alive 26 years after 1995-96 and eligible for pension enhancement.

Similarly, surviving pensioners for all the subsequent years till 2021-22 have been estimated.

Table-1 Estimation of Pensioners Surviving in 2021-22

Pensioner joining in Year	No. of years of receiving pension (Years)	Age as in 2020-2021 (Years)	Mortality rate	Total Pensioners (Actual/Estimated) (No.)	Pensioners considered added in the year	Surviving Pensioners as in 2021-22 (No.)
1994-1995	27	87	99%	256378	256378	2564
1995-1996	26	86	98%	264308	7929	159
1996-1997	25	85	97%	272482	8174	245
1997-1998	24	84	96%	280909	8427	337
1998-1999	23	83	95%	289597	8688	434
1999-2000	22	82	93%	298554	8957	627
2000-2001	21	81	90%	307788	9234	923
2001-2002	20	80	87%	317307	9519	1237
2002-2003	19	79	86%	327120	9814	1374
2003-2004	18	78	85%	337238	10117	1518
2004-2005	17	77	80%	347668	10430	2086
2005-2006	16	76	70%	358420	10753	3226
2006-2007	15	75	60%	369505	11085	4434
2007-2008	14	74	50%	380933	11428	5714
2008-2009	13	73	40%	392715	11781	7069
2009-2010	12	72	35%	404861	12146	7895
2010-2011	11	71	30%	417382	12521	8765
2011-2012	10	70	25%	430291	12909	9682
2012-2013	9	69	20%	443599	13308	10646
2013-2014	8	68	17%	457318	13720	11387
2014-2015	7	67	13%	471462	14144	12305
2015-2016	6	66	10%	486043	14581	13123
2016-2017	5	65	8%	501076	15032	13830
2017-2018	4	64	6%	516573	15497	14567
2018-2019	3	63	4%	532549	15976	15337
2019-2020	2	62	2%	549020	16471	16141
2020-2021	1	61	1%	566000	16980	16980
2021-2022	0	60	----	606666	40666	40666
Total					606666	



4. PROPOSED PENSION ENHANCEMENT

It is proposed to allow fixed pension enhancement, at a gradually decreasing rate from earlier to later retiree surviving pensioners from the year 1994-1995. As shown in Table-2 below, keeping the past wage revisions and at a statutory interval of 3 years envisaged in the pension scheme, it is proposed to allow fixed pension enhancement, at a gradually decreasing rate from earlier to later retirees to all these surviving pensioners from the year 1994-1995'

Table-2 Proposed Fixed Enhancement of Pension

Pensioner joining CMPS-1998 in Year			Per month Envisaged enhancement in pension (Rs)
1994-1995	1995-1996	1996-1997	10000
1997-1998	1998-1999	1999-2000	8000
2000-2001	2001-2002	2002-2003	4000
2003-2004	2004-2005	2005-2006	3500
2006-2007	2007-2008	2008-2009	3000
2009-2010	2010-2011	2011-2012	2500
2012-2013	2013-2014	2014-2015	2000
2015-2016	2016-2017	2017-2018	1500
2018-2019	2019-2020	2020-2021	1000

The fund requirement has been calculated for all surviving pensioners in the Table-3. This requirement is estimated as Rs. 451 Crores per year.

Table-3 Fund requirement for Enhancement of Pension

Pensioner joining in Year	Surviving Pensioners as in 2021-22 (No.)	Per month Envisaged enhancement in pension (Rs)	Per annum amount for enhancement in pension (Rs in Crores)
1994-1995	2564	10000	30.77
1995-1996	159	10000	1.90
1996-1997	245	10000	2.94
1997-1998	337	8000	3.24
1998-1999	434	8000	4.17
1999-2000	627	8000	6.02
2000-2001	923	4000	4.43
2001-2002	1237	4000	5.94
2002-2003	1374	4000	6.59
2003-2004	1518	3500	6.37
2004-2005	2086	3500	8.76
2005-2006	3226	3500	13.55
2006-2007	4434	3000	15.96
2007-2008	5714	3000	20.57



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Pensioner joining in Year	Surviving Pensioners as in 2021-22 (No.)	Per month Envisaged enhancement in pension (Rs)	Per annum amount for enhancement in pension (Rs in Crores)
2008-2009	7069	3000	25.45
2009-2010	7895	2500	23.68
2010-2011	8765	2500	26.30
2011-2012	9682	2500	29.04
2012-2013	10646	2000	25.55
2013-2014	11387	2000	27.33
2014-2015	12305	2000	29.53
2015-2016	13123	1500	23.62
2016-2017	13830	1500	24.89
2017-2018	14567	1500	26.22
2018-2019	15337	1000	18.40
2019-2020	16141	1000	19.37
2020-2021	16980	1000	20.38
2021-2022	40666	----	----
Total amount payable per month			451

5. FUND AVAILABILITY FOR INTRODUCING PENSION ENHANCEMENT

From above Table-4 presented below, it is seen that for the year 2021-22,

Pension fund inflow per year is Rs. **4187.82** Crore

Total fund required with enhanced pension per year is Rs. **4907.90** Crore

Total yearly shortfall in fund is Rs **720.08** Crore

Coal Production in 2020-21 was 754 Million Tonne

Cess generated by levy of Rs 10 per tonne of coal, Rs **754** Crore per year

Cess generated by levy of Rs 15 per tonne of coal, Rs **1131** Crore per year

In both cases of cess at Rs 10 or Rs 15 per tonne, we have a Surplus Fund, being Rs **410.92** Crore in later case.



Table-4 Assessment of Fund availability for Enhancement of Pension

SN	DESCRIPTION	FORMULA	VALUE
A	CMPS-1998 Pensioners, in Lakhs		6.06
B	Pension fund inflow per year, Rs Crore		4187.82
C	Pension fund outflow per year, Rs Crore		4449.74
D	Additional fund required for proposed enhancement per year, Rs Crore		458.11
E	Total fund required with enhanced pension	C + D	4907.90
F	Total yearly shortfall in fund, Rs Crore	E - B	720.08
G	Coal Production in 2020-21, Million Tonne	754	754
H	Cess generated by levy of Rs 10 per tonne of coal, Rs Crore		754
I	Cess generated by levy of Rs 15 per tonne of coal, Rs Crore		1131
J	Surplus Fund available with cess of Rs 15 per tonne, Rs Crore	I - F	410.92

6. CONCLUSION AND RECOMMENDATIONS

This study has made several assumptions on higher side for finding feasibility of restructuring revision and enhancement of pension. The need of the day is to push forward for these reforms vigorously.

- a) It is further recommended to link the cess with selling price of coal which presently covers around Rs 1800 per tonne. This approach of linking the cess with price rise of coal will automatically take into consideration wage/pension revision impact over the years. Hence, fixing one-time cess @1% of coal price will eradicate the problem of seeking raising the cess per tonne of coal production will be eliminated.
- b) Further, it can be inferred that, if we are able to raise the cess from 1% per tonne to, say, 5% per tonne, we can pay the enhanced pension, as well as, keep the present inflow from subscribers untouched and add in the efforts of compensating the loss of corpus due to earlier mismanagement.



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References

Before finding feasibility of introducing DR component, it is necessary to study how the welfare cess of Rs 20 per ton on coal production is going to facilitate this. Followings are the basic considerations for tabulating the findings of our studies.

i) Status of Pension fund

In 2018-19, 19-20 and 20-21, surplus of in pension fund was observed as the pension contribution was revised with effect from 01.10.2017, as shown in table below.

ii) Pension Fund flow position

Financial Year	Yearly inflow (Rs. in crore)	Yearly outflow (Rs. in crore)
2017-18	1031.00	2459.81
2018-19	3084.12	2842.29
2019-20	3519.14	3369.57
2020-21	4520.14	3831.54
2021-22	4187.82	4449.74

<https://loksabha.nic.in/Questions/QResult15.aspx?qref=46819&lsno=17>

iii) CMPF Subscribers and Pensioners

Year	As on date	CMPF Subscribers	Number of Pensioners	Data Source
2018-19	31-1-2019	4.18 lakhs (approx.)	5.18 lakhs (approx.)	*
2019-20	31-3-2020	4 lakhs (approx.)	5.35 (approx.)	**
2020-21	31-7-2020	3.91 (approx..)	5.50 (approx.)	***
2020-21	30-9-2021	3.72 (approx..)	5.66 (approx.)	****
2021-22	31-3-2022	3.64 (approx..)	6.06 (approx.)	*****

* <https://coal.gov.in/sites/default/files/2020-09/Chapter1-en.pdf>

** <https://coal.gov.in/sites/default/files/2021-03/chap1AnnualReport2021en.pdf>

*** <https://coal.gov.in/sites/default/files/2021-03/chap1AnnualReport2021en.pdf>

**** <https://coal.gov.in/sites/default/files/2022-11/chap1AnnualReport2022en.pdf>

***** <https://coal.gov.in/sites/default/files/2023-03/chap1AnnualReport2023en.pdf>

iv) CMPF Subscribers Decrease rate is envisaged at 5% per annum on the basis of CIL plans to reduce the manpower at a rate of 5% per annum

https://www.icidirect.com/mailimages/IDirect_CoalIndia_CoUpdate_Sep22.pdf

v) Coal Production at an envisaged rate of 7% annual growth (Million tonne)

<https://pib.gov.in/newsite/printrelease.aspx?relid=115635>

vi) Assumed cess on per tonne of coal production is taken as Rs 20 based on recommendations in 176th BoT (CMPF) Meeting deliberations on 16-8-2022

Based on the above data, we infer that,

- Rate of yearly increase of Pensioners: 6.6% of subscribers
- Rate of yearly increase in Pension fund inflow: 5.23% of previous year
- Rate of yearly increase in Pension fund inflow: 8.8% of previous year