



ALL INDIA ASSOCIATION OF COAL EXECUTIVES (AIACE)
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Ref No. **AIACE/CENTRAL/2021 / 025**

Dated 11.3.2021

To
The Secretary,
Ministry of Coal,
Government of India,
New Delhi

Sub: Suggestions for strengthening CMPS-98 fund as desired in the recent meeting of AIACE with Economic Advisor, MOC

Dear Sir,

We had earlier thanked you vide our letter no. AIACE/CENTRAL/2021/024 dt 8-3-2021 for facilitating a meeting with Sri A. Bharti, Economic Advisor, MOC on 5th March, 2021.

In that meeting, AIACE was invited to submit a proposal, if any, which can be forwarded to Actuary currently preparing a report on CMPFO.

As per our commitment in the meeting, we are hereby submitting our Suggestions in the form of a brief report attached as annexure with this letter. Our observations and suggestions extracted from the said report are reproduced below for quick perusal:-

“Observations & suggestions

- i. Net Profit of CIL in 2020, 2019 & 2018 is respectively Rs 11280.88, 10469.67, 9293.42 crore.
(Source: <https://www.business-standard.com/company/coal-india-12019/financials-profit-loss>) CIL and SCCL can earmark nominal percentage of profit before tax for the pension fund on the lines of post-retirement medicare scheme CPRMSE (guidelines of DPE)
- ii. Approximately, 50% of fund requirement envisaged in the present report is for retirees, who have contributed nominally towards pension corpus, but, deserve a steep hike in pension.
- iii. All the executives who joined on or after 01.01.2007 may be covered under NPS and their liabilities be removed from CMPS-1998 (their contribution is low to medium as far as CMPS 1998 is concerned). Those who joined prior to 01.01.2007 can continue in CMPS-1998.

- iv. Next, apart from pension from CMPS-1998 scheme, w.e.f. 1.1.2007 the Executives are additionally being covered for pension under NPS (with 9.84 % of salary as superannuation benefits). Their NPS fund has been invested in different funds approved by PFRDA under CIL's Executive Defined Contributory Pension Scheme through its fund manager LIC. Thus, Executives are eligible for two types of pension and executives retired after 2007 are receiving this pension. This NPS corpus is more than 2000 crore. This fund towards those in-service members, who have joined CIL/SCCL and other involved organizations before 31/12/2006, could be transferred to CMPS-1998.
- v. It is suggested that matching 9.84% of salary of non-executive employees, who were on roll of the company as on 31/12/2006, be earmarked and transferred to CMPS-1998 corpus fund. **This will add another Rs 20000 crore** to CMPS-1998 corpus fund for ensuring sustainability.
- vi. CIL and SCCL should contribute more than Rs. 10 per ton (may be decided on % of selling price of coal) to pension fund which will keep the fund stabilized over the years without sharing its quantum of profit. This will keep the fund rich enough to provide DA-linked yearly hike of pension. It is a fact that without active financial support from employers, sustainability of Pension fund cannot be ensured. Example is, DERC the erstwhile electric supplier of Delhi has been dismantled in favour of 4 electric Discom companies who levied a cess of 3.8% on consumers to strengthen the pension fund. This step has been even upheld by Delhi High Court in 2020.
- vii. Out of available pension fund corpus, about 3%-5% unclaimed amount is remaining idle, and due to cumbersome process for starting widow pension, more than 10% spouses could not claim their legitimate CMPS pension. Moreover, in Suspense account, due to non-settlement of pension, more than Rs 2000 crore is lying idle with CMPFO. It can be also utilized.
- viii. Transfer of CMPF trust fund to CIL and SCCL to be managed by themselves which will minimize expenses on Administrative charges. This is another viable option as these companies can manage this fund.
- ix. Real count of contractor workers should be taken and they should be mandatorily covered under CMPS-1998. Minimum wages should be as per High power committee recommendations.
- x. From 1/7/1995, CIL and SCCL had been contributing every month to pension fund @one increment. This figure of notional increment given as on 1/7/1995 did not vary with actual increment, thus remaining constant till 30/9/2017. For example, if any employee was paid one increment @Rs 250 as on 1/7/1995, this Rs 250 was transferred to pension fund on month to month basis while over the years the employee got promotion and reached much higher scale and annual increment became Rs 5000 as on 1/4/2017, the company used to transfer Rs 250 only to pension fund. It is suggested to transfer the annual increment of employees year on year from 1/7/95 to 30/9/2017 on actual basis. **This could fetch more than Rs 10000 crore** which may strengthen pension fund.

All these suggested measures could yield a one-time increase of pension fund by **Rs 30000 crores.**"

Various considerations in arriving at above conclusion are explained in the full report attached herewith.

It is requested that AIACE members of the core team preparing this report be invited to interact with Actuary and present/explain suggestions proposed for improved Fund management in BOT meeting as well.

AIACE once again reiterates its commitment to work for the betterment of coal industry as a whole.

With regards,



P K SINGH RATHOR
Principal General Secretary

Encl: Report containing our suggestions as above

cc.

Honourale Minister, Ministry of Coal, GOI, New Delhi
Economic Advisor, Ministry of Coal, GOI, New Delhi
Commissioner, CMPFO, Dhanbad
Chairman, Coal India Ltd.
CMD, SCCL, Kothagudem

CONSOLIDATION OF PENSION FUND AND ENHANCEMENT OF PENSION UNDER CMPS-1998

1. PREAMBLE

Initially, a Family Pension scheme under CMPS-1971 was formulated for welfare of retired employees working in the coal mining industry. Later on, this was superceded by CMPS-1998 with change of scope. Later on this scheme suffered from its 2 main inherent shortcomings,

- (i) Pension, one fixed, remained stagnated, and
- (ii) Pension fund got depleted which prohibited enhancement of pension.

Various studies were undertaken in the past and the process is still continuing to ensure improvement. Continuing in this effort, AIACE has also ventured to present in this report to find feasibility of enhancement of pension vis-à-vis consolidation of pension fund.

2. THE OBJECTIVE

Present corpus of pension fund is around Rs 13000 crore; present outflow from pension fund is Rs 230 crore against Rs 280 crore inflow per month. (vide Reference-1 cited in References). The situation may reverse in the future when outflow exceeds inflow even without enhancement of pension. So, besides consolidation of Pension fund, it is necessary to devise ways to make the pension fund sustainable for enhancement and periodical revision of pension without any cap with provision of DA-linked increase in pension.

3. THE METHODOLOGY

In order to study this stated objective, estimation of pensioners data, their category and their likely date of entitlement of pension is of prime necessity in order to arrive at a quantum by which any an enhancement of pension can be worked out along with consolidation of pension fund.

The total number of beneficiaries receiving pension under CMPS-1998 was reported to be 539209 in a RTI reply by CMPFO. This number included all the executive and non-executive retirees as well as widows/widowers. While the exact figures can be disclosed by respective authorities alone, an attempt has been made to study by considering case of CIL alone, assuming that, this can be the universal conclusion applicable to entire beneficiaries of CMPS-1998. This estimation of pensioner data is made as described in relevant paragraphs below. After this, all the executive and non-executive pensioners, have been categorized under 4 types, depending on their date of retirement. A lump sum enhancement in pension, for each category has been assigned for calculating the impact on pension fund. Without working for any arrear payment of pension, a net impact on pension fund per annum has been arrived and thereafter ways have been tried to be identified for implementation of this pension enhancement. If agreed, these projected figures of enhancement can be suitably modified to conclude at a proportionate variation in impact on pension fund.

4. LIMITATIONS OF REPORT SCOPE FOR IMPROVEMENT

In absence of any data of widows/widowers, these are assumed to be as retired pensioners; thus actual impact will be less than the projected figures. Further, the estimation has been done on the basis of variations in manpower, which means while estimating the pensioners, number of new recruits has also been considered which might have given a higher number of estimated pensioners.

5. SCOPE FOR IMPROVEMENT

As is true for any study, this report can be further improved in future based on other actual figures and other considerations, for which AIACE may be permitted to present supplementary suggestions.

6. PREPARATION OF SUGGESTIONS FOR THE PRESENT REPORT

6.1 Estimation of Pensioners

Based on linear scale of variation (increase/decrease) in manpower, the following table is obtained;-

Calendar year	Approximate Manpower on roll	Pensioners Added in the calendar year (Fig requires the number of New recruits to be subtracted)	Cumulative pensioners	Remarks	Age in 2020
1976	605979	-----	-----	---	---
1977	610192	0	0	Actual	---
1978	614434	0	0	Actual	---
1979	618705	0	0	Actual	---
1980	623006	0	0	Actual	---
1981	627337	0	0	Actual	---
1982	631698	0	0	Actual	---
1983	636090	0	0	Actual	---
1984	640512	0	0	Actual	---
1985	644965	0	0	Actual	---
1986	649449	0	0	Actual	---
1987	653964	0	0	Actual	---
1988	658510	0	0	Actual	---
1989	663088	0	0	Actual	---
1990	667698	0	0	Actual	---
1991	672340	0	0	Estimated	---
1992	677014	0	0	Estimated	---
1993	681721	0	0	Estimated	---

Calendar year	Approximate Manpower on roll	Pensioners Added in the calendar year (Fig requires the number of New recruits to be subtracted)	Cumulative pensioners	Remarks	Age in 2020
1994	686460	0	0	Estimated	86
1995	664263	22197	22197	Estimated	85
1996	642784	21479	43676	Estimated	84
1997	621999	20785	64461	Estimated	83
1998	601886	20113	84574	Estimated	82
1999	582424	19462	104036	Estimated	81
2000	563591	18833	122869	Estimated	80
2001	545367	18224	141093	Estimated	79
2002	527732	17635	158728	Estimated	78
2003	510671	17061	175789	Actual	77
2004	493061	17610	193399	Actual	76
2005	476577	16484	209883	Actual	75
2006	460369	16208	226091	Actual	74
2007	445815	14554	240645	Actual	73
2008	432710	13105	253750	Actual	72
2009	419214	13496	267246	Actual	71
2010	404744	14470	281716	Actual	70
2011	390243	14501	296217	Actual	69
2012	377447	12796	309013	Actual	68
2013	364736	12711	321724	Actual	67
2014	352282	12454	334178	Actual	66
2015	338902	13380	347558	Estimated	65
2016	326032	12870	360428	Actual	64
2017	313829	12203	372631	Actual	63
2018	302785	11044	383675	Actual	62
2019	285429	17356	401031	Actual	61

Considering CIL only, total pensioners are 401031 out of total 539209 from all establishments, as on 30.1.2021. Our concern is for pensioners joining from 1994 up to 2006 who are 107432 in number and minimum of 74 years of age. Because of age and consideration of new recruits as pensioners, it is assumed that hardly 1%, i.e. around 1000, are alive pensioners.

6.2. Estimation of Fund requirement for enhancement of pension per annum

Present executive : non-executive ratio is, 15500 : 272445 = 1 : 18 (Approx.)

CASE-I For enhancement for pensioners separated from 1.1.1994 up to 31.12 2006, an increase of pension for ex executives @20000/pm & ex non-executives @12000/pm

Persons involved'-226091.

Amount required for total 11308 executives = Rs 272 crores per annum

Amount required for total 203556 non-exec. = Rs 2442 crores per annum

Total Required Amount estimated - = Rs 2714 crore per annum (1)

CASE-II For same enhancement for pensioners separated from 1.1.2007 to 31.12.2011, an increase of pension for ex executives @10000/pm & ex non-executives @5000/pm

Persons involved'-(296217-240645) = 55572

Amount required for total 2922 executives = Rs 35 crores per annum

Amount required for total 52650 non-exec. = Rs 316 crores per annum

Total Required Amount estimated - = Rs 351 crore per annum (2)

CASE-III For same enhancement for pensioners separated from 1.1.2012 to 31.12.2016 an increase of pension for ex executives @6000/pm & ex non-executives @3000/pm

Persons involved'- (372631-309013) = 63618

Amount required for total 3348 executives = Rs 24 crores per annum

Amount required for total 60270 non-exec. = Rs 434 crores per annum

Total Required Amount estimated - = Rs 458 crore per annum (3)

CASE-IV For same enhancement for pensioners separated from 1.1.17 onwards an increase of pension for ex executives @2000/pm & ex non-executives @1000/pm

Persons involved'-(414015-372631) = 41384

414015-372631=

Amount required for total 2178 executives = Rs 5 crores per annum

Amount required for total 39205 non-exec. = Rs 47 crores per annum

Total Required Amount estimated - = Rs 52 crore per annum (4)

SUMMING UP,

TOTAL FUND REQUIREMENT FOR THE ABOVE 4 CASES = Rs 2714+351+458+52 crore
= Rs 3575 crore

6.3. Observations & suggestions

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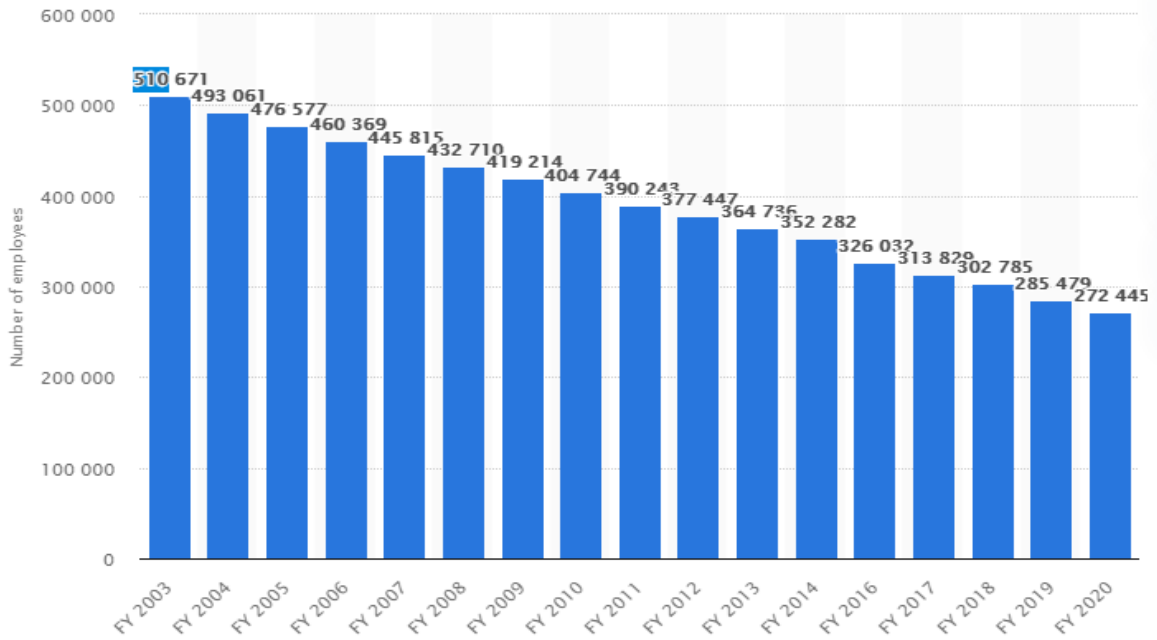
- claim their legitimate CMPS pension. Moreover, in Suspense account, due to non-settlement of pension, more than Rs 2000 crore is lying idle with CMPFO. It can be also utilized.
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All these suggested measures could yield a one-time increase of pension fund by **Rs 30000 crores.**

REFERENCES

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6. <https://www.business-standard.com/company/coal-india-12019/financials-profit-loss>

Number of employees at Coal India Limited from financial year 2003 to 2020



(Source: Reference-1 above)

As on	Manpower of ECL			Total	Manpower of CIL
	Officers	Permanent Staff/Workers	Casual Badlis		
1.4.75	1296	1,62,527	21,318	1,85,141	6,98,649
1.4.76	1453	1,67,220	17,973	1,86,646	6,05,979
1.4.77	1725	1,67,088	17,727	1,86,540	5,86,053
1.4.78	1932	1,68,447	15,864	1,86,243	5,87,986
1.4.79	2008	1,78,036	5,632	1,85,676	5,91,546
1.4.80	2150	1,79,104	3,976	1,85,230	6,00,029
1.4.81	2303	1,81,447	4,406	1,88,156	6,14,349
1.4.82	2473	1,84,538	3,828	1,90,839	6,31,51
1.4.83	2627	1,86,157	2,627	1,91,411	6,46,318
1.4.84	2648	1,86,783	2,252	1,91,683	6,58,955
1.4.85	2698	1,85,969	2,163	1,90,830	6,70,739
1.4.86	2809	1,85,906	2,037	1,90,752	6,71,932
1.4.87	2913	1,83,720	1,778	1,88,411	6,75,115
1.4.88	3110	1,81,621	1,501	1,86,232	6,74,021
1.4.89	3251	1,79,573	1,278	1,84,102	6,70,440
1.4.90	3329	1,74,262	1,113	1,78,704	6,67,705

(Source: Reference-4 above)

COAL INDIA LTD. (COALINDIA) - PROFIT AND LOSS			
FIGURES IN RS CRORE	2020	2019	2018
INCOME			
SALES TURNOVER	1036.29	1159.36	1145.80
EXCISE DUTY	191.13	225.06	217.76
NET SALES	845.16	934.30	928.04
OTHER INCOME	11566.33	10548.66	9292.95
STOCK ADJUSTMENTS	-15.68	9.41	-42.09
TOTAL INCOME	12395.81	11492.37	10178.90
EXPENDITURE			
RAW MATERIALS	0.00	0.00	0.00
POWER & FUEL COST	10.08	10.81	12.11
EMPLOYEE COST	545.25	474.66	525.04
OTHER MANUFACTURING EXPENSES	96.23	159.58	149.57
SELLING AND ADMINISTRATION EXPENSES	131.73	195.66	102.71
MISCELLANEOUS EXPENSES	253.61	44.95	39.74
LESS: PRE-OPERATIVE EXPENSES CAPITALISED	0.00	0.00	0.00
TOTAL EXPENDITURE	1036.90	885.66	829.17
OPERATING PROFIT	11358.91	10606.71	9349.73
INTEREST	5.26	18.04	16.76
GROSS PROFIT	11353.65	10588.67	9332.97
DEPRECIATION	54.39	26.25	18.14
PROFIT BEFORE TAX	11299.26	10562.42	9314.83
TAX	18.38	92.75	21.41
NET PROFIT	11280.88	10469.67	9293.42

(Source: Reference-5 above)