

**THE ARMED FORCES PENSION AND PROVIDENT FUND  
SCHEME RULES AND REGULATIONS OF THE  
KINGDOM OF BHUTAN, 2002**

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## TABLE OF CONTENTS

<b>SUBJECT</b>	<b>PAGE NO.</b>
<b>SECTION I GENERAL PROVISIONS.....</b>	<b>4</b>
Title.....	4
Commencement.....	4
Extent of coverage.....	4
Objectives.....	4
<b>SECTION II DEFINITION OF TERMS.....</b>	<b>5</b>
<b>SECTION III THE ARMED FORCES PENSION AND PROVIDENT FUND SCHEME.....</b>	<b>8</b>
Two Schemes of the AFPPFS.....	8
The Armed Forces Pension Scheme.....	8
The Armed Forces Provident Fund Scheme.....	8
<b>SECTION IV MEMBERSHIP IN THE AFPPFS.....</b>	<b>8</b>
<b>SECTION V CONTRIBUTIONS TO THE AFPPFS.....</b>	<b>9</b>
Contributions from an AFPPFS member.....	9
Matching contribution of the Royal Government.....	9
Discontinuance of the GEPF.....	9
Transfer of the GEPF to the AFPPFS.....	9
Account of a member in the GEPF to become his/her account under the AFPPFS.....	9
Additional Initial Service Contribution.....	9
Crediting the monthly contributions of a member.....	10
<b>SECTION VI FUNDS OF THE AFPPFS.....</b>	<b>10</b>
Funds of “The Armed Forces Pension and Provident Fund Scheme”.....	10
Establishment of Funds of the AFPPFS.....	10
Charges against the Funds of the AFPPFS.....	11
Investment of the Funds.....	11
<b>SECTION VII PENSION BENEFITS TO A MEMBER.....</b>	<b>11</b>
Member’s pension on superannuation.....	11
Member’s pension on early retirement within five years of superannuation age.....	12
Member’s pension on early retirement prior to five years of attaining superannuation age.....	12
Return of AFPS contributions if a member has not served a minimum of 10 years and has not made a minimum of 120 monthly contributions.....	13
Member’s pension in case of termination from service or conviction under any Court of Law.....	13
Treatment of past service for non-payment of contributions.....	14
Benefit on permanent disability.....	14
Benefits to the surviving spouse(s) on the death of a member.....	14
Benefits to the children on the death of a member.....	15
Benefits to the orphan on the death of a member.....	15
Benefits to dependent parent if no spousal, children and orphan benefits are claimed.....	16
<b>SECTION VIII PROVIDENT FUND BENEFITS.....</b>	<b>16</b>
Provident Fund Benefits.....	16
Failure to claim Provident Fund Benefits.....	17
Early withdrawal of Provident Fund Benefits.....	17

<b>SECTION IX THE MANAGEMENT AND THE ADMINISTRATION OF THE ARMED FORCES PENSION AND PROVIDENT FUND SCHEME .....</b>	<b>18</b>
Operational Management of AFPPFS by the National Pension and Provident Fund .....	18
<b>OBLIGATION AND LIABILITIES OF THE TRUSTEES .....</b>	<b>18</b>
“The Obligation of Trustees” .....	18
Liability of the Trustees .....	18
<b>OBLIGATIONS OF THE MEMBERS .....</b>	<b>19</b>
Information to be supplied by the covered employees.....	19
<b>OBLIGATIONS OF ARMED FORCES .....</b>	<b>19</b>
Remittance of contributions .....	19
Contributions to be calculated to the nearest Ngultrum.....	19
Registers and records under the AFPPFS .....	19
Information in respect of the employees leaving service of the employer.....	19
<b>RIGHTS OF MEMBERS .....</b>	<b>20</b>
Allotment of account numbers.....	20
Guarantee of benefits .....	20
Benefits to be calculated to the nearest Ngultrum .....	20
Penalty for failure to submit return and other delinquencies .....	20
Withdrawal of pension.....	21
Cessation of pension .....	21
Amendments to Trust Deed/Rules and Regulations .....	21

**TRUST DEED**

**OF**

**ROYAL BHUTAN ARMED FORCES PENSION AND PROVIDENT FUND  
SCHEME**

“**The Royal Government of Bhutan**” (hereinafter called “**The Government**”) has decided to establish Armed Forces Pension and Provident Fund Scheme, (hereinafter called “**The Armed Forces Pension and Provident Fund Scheme (AFPPFS)**”). The members of the Armed Forces will be admitted as members of “**The Armed Forces Pension and Provident Fund Scheme**” for the sole purpose of receiving pension and provident fund benefits on their superannuation from service, retirement before, on/after attaining superannuation age, payment of disablement and other benefits on the member’s death as per the Rules and Regulations of the scheme (hereinafter called “**The Armed Forces Pension and Provident Fund Scheme Rules and Regulations**”).

**WHEREAS**

The Government has appointed the National Pension Board (NPB) as Trustees of the Armed Forces Pension and Provident Fund Scheme (hereinafter called “**Trustees**”). The Directors of the National Pension Board as Trustees are hereby, covenanted to administer “**The Armed Forces Pension and Provident Fund Scheme**”. The National Pension and Provident Fund under the administrative supervision of the NPB has been entrusted to operationally manage the Armed Forces Pension and Provident Fund Scheme in accordance with the Provisions of “**The Armed Forces Pension and Provident Fund Scheme Rules and Regulations**” which shall be binding on “**the Government**”, “**the Trustees**” and “**the members, their spouses, children and other nominated beneficiaries**”.

The said Rules and Regulations of the Armed Forces Pension and Provident Fund Scheme are hereby **WITNESSTH** and **DECLARED** by both the Royal Government and the National Pension Board. The said parties affix their signatures thereto this ----day ----month of the year.....at Thimphu.

**FOR AND ON BEHALF OF**  
**THE ROYAL GOVERNMENT OF BHUTAN**

**FOR AND ON BEHALF OF**  
**THE NATIONAL PENSION BOARD**

# **THE ARMED FORCES PENSION AND PROVIDENT FUND SCHEME RULES AND REGULATIONS OF THE KINGDOM OF BHUTAN, 2002**

## **SECTION I GENERAL PROVISIONS**

### **Title**

- 1 These Rules and Regulations shall be cited as the Armed Forces Pension and Provident Fund Scheme Rules and Regulations of the Kingdom of Bhutan, 2002.

### **Commencement**

- 2 These Rules and Regulations shall take effect on the 21<sup>st</sup> day of fifth month of Water Horse Year corresponding to July 1, 2002.

### **Extent of coverage**

- 3 It shall extend to the whole of the Kingdom of Bhutan.

### **Objectives**

- 4 The objectives of these Rules and Regulations are to facilitate the management and administration for providing:
  - a) post service retirement benefits to the members of the Armed Forces;
  - b) income security in the event of permanent disability of a member;
  - c) social support to surviving family members of the deceased member; and
  - d) compulsory savings plan for the members of the Armed Forces.

## SECTION II DEFINITION OF TERMS

- 5 In these Rules and Regulations, unless the context indicates otherwise, the words, phrases and acronyms are defined as follows:
- a. “Rules and Regulations” refers to the Armed Forces Pension and Provident Fund Scheme Rules and Regulations of the Kingdom of Bhutan, 2002.
  - b. “AFPPFS” refers to the Armed Forces Pension and Provident Fund Scheme established under these Rules and Regulations.
  - c. “GEPF” refers to the Government Employees Provident Fund established by the Royal Government of Bhutan in 1976.
  - d. “NPPF” refers to the National Pension and Provident Fund instituted by the Royal Government of Bhutan.
  - e. “National Pension Board (NPB)” refers to the Board of Directors appointed under the Armed Forces Pension and Provident Fund Scheme Rules and Regulations of the Kingdom of Bhutan, 2002.
  - f. “The Armed Forces Pension Scheme and the Armed Forces Provident Fund” refers to the two schemes that are integral parts of the Armed Forces Pension and Provident Fund Scheme.
  - g. “Member” refers to an employee of the Armed Forces including the civil employees of the Armed Forces who are covered by the Armed Forces Pension and Provident Fund Scheme.
  - h. “Basic salary” refers to the basic salary received by a member in a month minus perquisites and allowances.
  - i. “Armed Forces Pension Fund” refers to the fund established for the members under these Rules and Regulations.
  - j. “Armed Forces Provident Fund” refers to the fund established for the members under these Rules and Regulations.
  - k. “Accounts of a member” refers to the account of contributions maintained for the member.
  - l. “Pension/benefits” refers to the monthly pension that a member of the Armed Forces or the civilian employees of the Armed Forces shall receive on his/her retirement, or on his/her permanent disability or the monthly benefit that a surviving child or a surviving spouse shall receive on the death of a member.

- m. “Retirement” refers to exit from employment from regular service of the Armed Forces.
- n. “Termination” refers to dismissal of a member from service without retirement benefits on disciplinary grounds or convicted of felony under any Court of Law.
- o. “Pensionable Service” refers to the period of service rendered by a member of the Armed Forces or the civilian employees of the Armed Forces between the date of joining the service or the date of joining the GEPF whichever is later or the date of joining the AFPPFS to the date of exit from service, provided that the member has rendered a minimum service of ten years and has made a minimum of 120 monthly contributions to the Pension Scheme. For each year of service or from the date of joining the GEPF which ever is later up to the age of 27 years a member earns a pensionable service of 1 per year and for the remaining service after 27 years a member earns a pensionable service of 0.50 per year. If the member has not served a minimum of ten years and has not made a minimum of 120 monthly contributions to the pension scheme, then such period of service will not qualify as pensionable service.
- p. “Pensionable salary” refers to the average salary received by a member **for the last 12 months of service before exit from the service**. It is calculated by taking the total basic salary paid for the last 12 months in service and such total being divided by 12.
- q. “Full working period” in the Armed Forces is taken as 27 years.
- r. “Pension factor” refers to the proportion of the pensionable service rendered by the member in terms of full working period. It is calculated by dividing the pensionable service rendered by the member to the Armed Forces by the full working period.). Maximum pension factor shall be limited to 30/27
- s. “Superannuation age” of the Armed Forces is taken as per ranks (as per Armed Forces Service Rules and Regulations) and for civilian employees of the Armed Forces as per civil service retirement ages.
- t. “Family” refers only to legally married spouse(s) and their children as per the Laws of the Land.
- u. “Surviving children” refers to the legitimate sons and daughters of the deceased member, who is less than 18 years of age.
- v. “Surviving spouse(s)” refers to the person whom a deceased person was legally married on /or before retirement from the service.
- w. “Orphan” refers to a person who is less than 18 years and none of whose parents are alive.

- x. “Permanent disability” refers to such disability of a permanent nature that incapacitates a member of the Armed Forces of all work which he/she was capable of performing at the time of disability regardless of whether such disability is sustained in the course of employment or otherwise except in warlike situation and is not able to engage in any gainful employment/activities thereafter. The following disabilities shall be deemed permanent:
- i. complete loss of sight of both eyes;
  - ii. loss of two limbs at or above the ankle or wrists;
  - iii. permanent complete paralysis of two limbs;
  - iv. brain injury resulting to incurable imbecility or insanity.
- y. “Permanent disability benefits” refers to the monthly benefits payable to a disabled member, provided that a member has served a minimum of three years in the Armed Forces and has made a minimum of 36 monthly contributions to the Pension Fund as per the *clauses 11, 12 and 17*. Such benefits shall be payable from the date of disability until recovery, death or the date of superannuation, whichever is earlier. On the date of superannuation the disability benefits shall be discontinued and the member shall be paid normal pension.
- z. “Spousal benefit” refers to the benefits payable to a person whom a deceased member was legally married before retirement or death, which ever is earlier, provided that the member has served a minimum of three years in the Armed Forces and has made a minimum of 36 monthly contributions to the Pension Fund as per the *clauses 11, 12 and 17*. Such benefits shall be payable from the date of the death of a member until the spouse remarries or till death of the spouse, whichever is earlier.
- aa. “Children benefit” refers to the benefit payable to the surviving children of a deceased member, provided that the member has served a minimum of three years and has made a minimum of 36 monthly contributions to the Pension Scheme as per the *clauses 11, 12 and 17*. Such benefit shall be payable from the date of the death of a member until the child attains 18 years of age. Children benefits payable is subject to a maximum of 3 children at a time.
- bb. “Service” refers to that service for which a member received a monthly salary.
- cc. “Early retirement pension” refers to the pension that a member shall receive on retirement before attaining the superannuation age as per ranks in the Armed Forces, provided that the member has served a minimum of ten years and has made at least a minimum of 120 monthly contributions to the AFPPFS accounts. In such cases minimum pension is not applicable and pension shall be as per actual computation (*computed with reductions as required under these Rules and*

**Regulations**). If a member retires prior to five years of superannuation, then such period of service shall not be considered for any pension benefits.

- dd. “Minimum pension” refers to 45 percent of the maximum ceiling of the salary scale of the lowest rank in the Armed Forces, provided that the member has served a minimum of 22 years and is above 45 years of age on the date of retirement. If a member has served either less than 22 years and or is below 42 years of age and retires from service then such members shall not be eligible for minimum pension.
- ee. “Lump sum benefits” refers to the provident fund benefit to be received by members.

### **SECTION III THE ARMED FORCES PENSION AND PROVIDENT FUND SCHEME**

#### **Two Schemes of the AFPPFS**

- 6 The Armed Forces Pension and Provident Fund Scheme (AFPPFS) is comprised of a pension scheme and a provident fund scheme.

#### **The Armed Forces Pension Scheme**

- 7 The Armed Forces Pension Scheme is a defined benefit scheme under which monthly pension benefits are provided upon retirement of a member or upon his/her permanent disability. Upon death of a member prior or after retirement, monthly benefits shall be provided to the surviving spouse(s), children or orphans. The Armed Forces Pension Scheme does not cover war like situation whatsoever for entitlement of all pension benefits.

#### **The Armed Forces Provident Fund Scheme**

- 8 The Armed Forces Provident Fund Scheme is a defined contribution scheme under which a lump sum benefit equivalent to the accumulated contributions to a member’s provident fund account, together with returns thereon, shall be paid on the date of his/her retirement or death while in service.

### **SECTION IV MEMBERSHIP IN THE AFPPFS**

- 9 On July 1, 2002, when the AFPPFS commences, all the members of the GEPF as on June 30, 2002 shall automatically become members of the AFPPFS. However,

expatriate members of the GEPF as on June 30, 2002 shall participate in the Armed Forces Provident Fund Scheme only.

- 10 New employees who are not members of GEPF as on June 30, 2002 and joins the services of the Armed Forces thereafter shall be entitled to become a member of AFPPFS as on the date of joining the service.

## **SECTION V CONTRIBUTIONS TO THE AFPPFS**

### **Contributions from an AFPPFS member**

- 11 A member shall contribute to the AFPPFS a minimum of 12% of his/her covered monthly salary.

### **Matching contribution of the Royal Government**

- 12 The Royal Government, on behalf of the members of the Armed Forces shall make matching contribution to the AFPPFS.

### **Discontinuance of the GEPF**

- 13 Under these Rules and Regulations, the GEPF shall be discontinued as on June 30, 2002.

### **Transfer of the GEPF to the AFPPFS**

- 14 The GEPF shall vest in and stand transferred to the AFPPFS on July 1, 2002.

### **Account of a member in the GEPF to become his/her account under the AFPPFS**

- 15 The account of a member in the GEPF shall become the member's Provident Fund account under the AFPPFS. The amount of such Provident Fund account shall be exactly equal to the member's account in the GEPF as on June 30, 2002. On July 1, 2002, 58.33% of the account balances of the member shall be transferred to his/her pension account subject to the clause 17. No account balances shall be transferred to the pension account for those expatriate members who do not participate in the pension benefits.

### **Additional Initial Service Contribution**

- 16 "The Government" may make additional contribution to the fund on the date of the commencement of the AFPPFS and in future as and when recommended by an actuary, to keep the fund solvent.

### **Crediting the monthly contributions of a member**

17 From the total monthly contributions (Government and member), the Armed Forces Pension and the Armed Forces Provident Fund Accounts of the members shall be credited as follows:

- 14% of the covered monthly salary of a member shall be credited to the Armed Forces Pension Account;
- 10% of the covered monthly salary of a member shall be credited to the Armed Forces Provident Fund Account;
- Total contribution (both Government and member contribution) of the expatriate members in the Armed Forces shall be credited to the Armed Forces Provident Fund Account only.

## **SECTION VI FUNDS OF THE AFPPFS**

### **Funds of “The Armed Forces Pension and Provident Fund Scheme”**

18 The funds of “The Armed Forces Pension and Provident Fund Scheme” shall consist of:

- “monthly future contribution” from effective date as mentioned in *clauses 11, 12 and 17* above;
- initial contribution as in *clause 15*;
- any “Additional Contribution” as in *clause 16*;
- interest earned from investment of fund money;
- capital gains or loss on investment of fund money; and
- any repayable loan sanctioned by “The Government” to overcome the temporary deficiency in the Fund.

### **Establishment of Funds of the AFPPFS**

19 From and out of the trust funds, the NPPF shall establish two separate funds namely the Armed Forces Pension Fund and the Armed Forces Provident Fund.

### **Charges against the Funds of the AFPPFS**

- 20 The Armed Forces Pension benefits to be paid to the members shall be charged to the Armed Forces Pension Fund. The Provident Fund benefits shall be charged to the Armed Forces Provident Fund.
- 21 All funds and benefits accumulated to a member under the AFPPFS shall not be liable to attachments, garnishments, levy or seizure except to pay any dues of the member to the NPPF and to the Government.
- 22 The National Pension and Provident Fund shall be exempted from all taxes and assessment thereof on income derived from contributions and investments.
- 23 Provident fund benefits to members shall be exempted from all taxes while monthly pension shall be liable to PIT as per Income Tax Act 2001
- 24 The annual administrative expenses including overhead charges incurred by the NPPF in the administration of the AFPPFS shall be charged in the proportion to be determined by the NPB to the Armed Forces Pension Fund and the Armed Forces Provident Fund.

### **Investment of the Funds**

- 25 The Funds of the AFPPFS shall be invested by the NPPF in accordance with the investment policy prescribed by the National Pension Board. The NPPF shall be responsible for the prudent and effective management of the funds and assets as per the Rules and Regulations as may be prescribed by the National Pension Board.

## **SECTION VII PENSION BENEFITS TO A MEMBER**

### **Member's pension on superannuation**

- 26 If a member has served 10 years or more and has made a minimum of 120 monthly contributions to the Armed Forces Pension Scheme as per the *clauses 11, 12 and 17* and the member retires on superannuation the member shall receive pension from the date of exit from service till the date of death of a member. The member's pension shall be computed as under:

**Member's Pension = Pensionable service X .45X Pensionable salary**

27

- 27 Minimum pension benefit payable is 45 percent of the maximum ceiling of the salary scale of the lowest rank of the Armed Forces, provided that a member has served a minimum of 22 years in the service and is above 42 years of age on the date of retirement. If a member has either served less than 22 years and or is below 42 years of

age and retires from service then such members shall not be eligible for minimum pension.

- 28 Maximum pension payable shall be limited to the pension factor of 30/27.
- 29 Member's pension shall be increased by 2% every year from the date of vesting the pension. Additional increases of member's pension other than annual 2% increase shall be actuarially valued and decided accordingly.

**Member's pension on early retirement within five years of superannuation age**

- 30 If a member has served 10 years or more and has made a minimum of 120 monthly contributions to the Armed Forces Pension Scheme as per the *clauses 11, 12 and 17* and the member retires within five years prior to superannuation age, pension to such a member is payable from the date of superannuation and the member shall not be paid any pension from the date of exit from service until attaining superannuation age.
- 31 Member may however opt to receive pension with immediate effect. If the member so opts, member's pension as on the date of exit from service shall permanently be reduced by  $\frac{1}{2}$  of 1 percent for every month the age falls short of superannuation age. Reductions shall be limited to 30% of the pension payable.
- 32 Such pension shall be payable from the date of exit from service until the date of death of a member.
- 33 Minimum pension payable is 45 percent of the maximum ceiling of the salary scale of the lowest rank of the Armed Forces, provided that a member has served a minimum of 22 years in the service and is above 42 years of age on the date of retirement. If a member has either served less than 22 years and or is below 42 years of age and retires from service then such members shall not be eligible for minimum pension.
- 34 Member's pension benefit shall be increased by 2% every year from the date of vesting the pension. Additional increases of member's pension other than annual 2% increase shall be actuarially valued and decided accordingly.

**Member's pension on early retirement prior to five years of attaining superannuation age**

- 35 If a member has served 10 years or more and has made a minimum of 120 monthly contributions to the Armed Forces Pension Scheme as per the *clauses 11, 12 and 17* and the member retires earlier than five years prior to superannuation age, pension to such a member is payable from the date of superannuation and the member shall not be paid any pension from the date of exit from service until attaining superannuation age.
- 36 Member may however opt to receive pension with immediate effect from five years prior to attaining the superannuation age. If the members so opt, pension shall

permanently be reduced by  $\frac{1}{2}$  of 1 percent for every month the age falls short of superannuation age subject to a maximum of 30% of the pension payable.

- 37 Such pension shall be payable from the date of attaining five years prior to superannuation age or the date the member opts within five years prior to superannuation age until the date of death of a member.
- 38 Minimum pension payable is 45 percent of the maximum ceiling of the salary scale of the lowest rank of the Armed Forces, provided that a member has served a minimum of 22 years in the service and is above 42 years of age on the date of retirement. If a member has either served less than 22 years and or is below 42 years of age and retires from service then such members shall not be eligible for minimum pension.
- 39 Member's pension shall be increased by 2% every year from the date of vesting the pension. Additional increases of member's pension other than annual 2% increase shall be actuarially valued and decided accordingly.

**Return of AFPS contributions if a member has not served a minimum of 10 years and has not made a minimum of 120 monthly contributions**

- 40 If a member has served more than one year but less than 10 years of service and has made more than 12 monthly contributions but less than a minimum of 120 monthly contributions to the Armed Forces Pension Scheme as per the *clauses 11, 12 and 17* and the member exits from service by retirement, retrenchment and or under any condition except in case of death, such member shall not be eligible for the pension benefits from the Armed Forces Pension Scheme. Scale accumulated contributions shall be paid to the retiree or the nominee(s) of the member(s) from the Armed Forces Pension scheme with interest. In case of death of a member the benefits will be regulated as per the clauses 50, through 64 and 65.
- 41 If a member has served less than 12 months and has not made a minimum of 12 monthly contributions to the Armed Forces Pension Scheme as per the *clauses 11, 12 and 17* and the member exits from service by retirement, retrenchment, death and or under any condition, such members shall not be eligible for the pension benefits from Armed Forces Pension Scheme nor shall such member be entitled for any payment from the Armed Forces Pension Scheme.

**Member's pension in case of termination from service or conviction under any Court of Law**

- 42 If a member is terminated from the service either on disciplinary grounds or on desertion or under any other condition or convicted of a felony under any Court of Law, such member shall not be eligible for the pension benefits nor will be entitled to a return of contributions from Armed Forces Pension Scheme.

**Treatment of past service for non-payment of contributions**

- 43 If there is any period such as during extraordinary leave, study leave or others in the past service of a member for which the contributions to the AFPPFS as per the *clauses 11, 12 and 17* has not been paid, the said period shall not be counted as eligible service for the computation of pension benefits.

**Benefit on permanent disability**

- 44 A member who is permanently disabled before his/her retirement shall be entitled to a permanent disability benefit if the members has served a minimum of three years in the Armed Forces and has made at least a minimum of 36 monthly contributions to the Armed Forces Pension Scheme as per the *clauses 11, 12 and 17* before his/her permanent disability.
- 45 The permanent disability benefits shall be equivalent to thirty (30) percent of the member's pension payable under normal retirement scheme or 45 percent of the maximum ceiling of the salary scale of the lowest rank of the Armed Forces whichever is higher and the amount of pension shall be reduced by any other monthly compensation received for the period of disability.
- 46 The permanent disability benefits shall be payable from the date of permanent disability throughout the continuance of such a disability until the superannuation age or recovery or death of the member. Upon attaining the superannuation age the member shall receive normal pension benefits due on superannuation or 45 percent of the maximum ceiling of the salary scale of the lowest rank of the Armed Forces, whichever is higher.
- 47 A member applying for permanent disability benefit shall be required to undergo such medical examinations as shall be prescribed by the NPB, to determine whether or not he/she is permanently disabled.
- 48 Member's pension benefits shall be increased by 2% every year from the date of vesting the pension. Additional increases of member's pension other than annual 2% increase shall be actuarially valued and decided accordingly.

**Benefits to the surviving spouse(s) on the death of a member**

- 49 On the death of a member, benefit to the surviving spouse(s) shall be payable to a person to whom the member was legally married before death or retirement, whichever is earlier. No benefit is payable to the spouse(s) of the deceased member who was/were legally married after superannuation or exit from service.
- 50 If a member dies during the period of active service, benefits to the surviving spouse is payable, provided that the member has served a minimum of three years and has made at least 36 monthly contributions to the Armed Forces Pension Scheme as per the *clauses 11, 12 and 17* before his/her death.

- 51 The total spousal benefit payable shall be 30% of the member's pension or 60% of the minimum pension payable whichever is higher. Such benefits shall commence from the date of death of a member until the spouse(s) attains 50 years of age, death or remarriage whichever is earlier.
- 52 On the day the spouse(s) attains 50 years the total spousal benefits shall be enhanced to 50% of the member's pension or 60% of the minimum pension payable, whichever is higher. Such benefits shall be paid until date of death or remarriage whichever is earlier.
- 53 In cases where there are two or more surviving spouses, the surviving spouse benefits shall be payable as per the Laws of the Land. However the total benefit shall not exceed the benefits *as per clauses 51 and 52 above*.
- 54 Spousal benefit shall be increased by 2% every year from the date of vesting the pension. Additional increases of spousal benefits other than annual 2% increase shall be actuarially valued and decided accordingly.

#### **Benefits to the children on the death of a member**

- 55 Children benefit shall be payable if a member dies, provided that the member has served a minimum of three years in the Armed Forces and at least 36 monthly contributions has been paid to the AFPPFS as per the *clauses 11, 12 and 17*.
- 56 Children benefit subject to a maximum of three children shall be payable from the date of death of a member until the child attains the age of 18 years and shall be 10% of the member's pension or 15% of the minimum pension per child, whichever is higher.
- 57 In cases where there are three or more surviving children, the benefits shall be payable to the surviving children until the age of 18 years as per the Laws of the Land. On his/her attaining the age of 18 years, the benefits shall be payable to the next child, if any.
- 58 Children benefit shall be increased by 2% every year from the date of vesting the pension. Additional increases of children benefits other than annual 2% increase shall be actuarially valued and decided accordingly.

#### **Benefits to the orphan on the death of a member**

- 59 If the deceased member is not survived by any spouse, and when no spousal benefit is payable but is survived by children falling within the definition of family, the surviving children shall be entitled to an orphan benefit equal to fifteen (15) percent of the member's pension or 30 percent of the minimum pension (45percent of the maximum ceiling of the salary scale of the lowest rank of the Armed Forces), whichever is higher.
- 60 Orphan benefit shall be payable if a member dies, provided that the member has served at least a minimum of three years in the Armed Forces and a minimum of 36 monthly contributions has been paid to the Armed Forces Pension Scheme as per the *clauses 11, 12 and 17*.

- 61 The orphan benefit shall be payable to a maximum of three orphans at a time and shall run in the order from the oldest to the youngest orphan as per the Laws of the Land.
- 62 Orphan benefit shall be increased by 2% every year from the date of vesting the pension. Additional increases of orphan benefits other than annual 2% increase shall be actuarially valued and decided accordingly.

**Benefits to dependent parent if no spousal, children and orphan benefits are claimed**

- 63 A member who is not married and when no spousal and children benefits are payable on death and leaves behind dependent biological or legally adopted father or mother, then such dependent biological or legally adopted father or mother is entitled to dependent benefits, provided that the member has served at least a minimum of ten years in the Armed Forces and has made at least 120 monthly contributions to the Armed Forces Pension Scheme as per the *clauses 11, 12 and 17*. The member may nominate either his/her dependent biological or legally adopted father or mother to claim his/her benefits on his/her death.
- 64 The total benefit to the dependent parents when payable shall be fifty percent of the member's pension or 60 % of the minimum pension which ever is higher. Such benefits shall commence from the month following the date of the death of the member or the date when the dependent parents attains minimum civil service retirement age whichever is later.
- 65 Dependent parent benefit shall be increased by 2% every year from the date of vesting the pension. Additional increases of dependent parent benefits other than annual 2% increase shall be actuarially valued and decided accordingly.

**SECTION VIII PROVIDENT FUND BENEFITS**

**Provident Fund Benefits**

- 66 Benefits to a member from the Armed Forces Provident Fund Scheme account shall be paid as follows:
- (a) If a member of the AFPPFS has completed one year or more service and made more than 12 monthly contributions as per *clauses 11, 12 and 17* to the Armed Forces Provident Fund Scheme account and leaves the service, he/she shall be paid accumulated contributions credited to Armed Forces Provident Fund Scheme account along with returns credited thereon minus any withdrawals made by the member.

- (b) If a member has made less than 12 monthly contributions as per *clauses 11, 12 and 17* and leaves the service or terminated from the service by the Armed Forces on disciplinary ground or has deserted the service or convicted of a felony under any Court of Law, he/she shall be entitled to employee contributions only with returns credited thereon. The matching contributions made by the Government along with the returns credited thereon shall be transferred to the AFPPFS general reserve account.
- (c) If the expatriate member has completed one year or more service and made more than 12 monthly contributions as per *clauses 11, 12 and 17* and leaves the service of the Armed Forces, he/she shall be paid accumulated contributions credited to Armed Forces Provident Fund Scheme account along with returns credited thereon.
- (d) If a expatriate member has made less than 12 monthly contributions as per *clauses 11, 12 and 17* and leaves the service or terminated from the service by the Armed Forces on disciplinary ground or has deserted the service or convicted of a felony under any Court of Law, he/she shall be entitled to employee contributions only with returns credited thereon. The matching contributions made by the Government along with the returns credited thereon shall be transferred to the AFPPFS general reserve account.

#### **Failure to claim Provident Fund Benefits**

- 67 If the member or his/her nominee fails to claim his/her Provident Fund benefits upon exit from service and the whereabouts of the member or his/her nominee is not known both to the Armed Forces and the NPB, on expiry of 3 years from the date of discontinuance of the contributions by the member, the National Pension Board shall forfeit the accumulated fund of the member and transfer the same to the AFPPFS general reserve account.

#### **Early withdrawal of Provident Fund Benefits**

- 68 A member shall not be allowed to make any withdrawal from the Provident Fund other than during exit from service, but the NPB may allow at its sole discretion withdrawals for the construction of a house or the purchase of a flat or financing the education of his/her children.

## **SECTION IX THE MANAGEMENT AND THE ADMINISTRATION OF THE ARMED FORCES PENSION AND PROVIDENT FUND SCHEME**

### **Operational Management of AFPPFS by the National Pension and Provident Fund**

- 69 Under the general supervision of the National Pension Board (NPB), the operational management and administration of the Armed Forces Pension and Provident Fund Scheme shall be entrusted to the National Pension and Provident Fund (NPPF). All the powers and function of the Directors of the NPB and the Chief Executive of the National Pension and Provident Fund as enumerated in the Rules and Regulations of the National Pension and Provident Fund Plan 2002 shall be applicable for the management and administration of the Armed Forces Pension and Provident Fund Scheme.

### **OBLIGATION AND LIABILITIES OF THE TRUSTEES**

#### **“The Obligation of Trustees”**

- 70 It shall be obligatory on the part of the NPB as “The Trustees” to:
- arrange for collection of contributions from the members of the Armed Forces;
  - arrange for the investment of funds of AFPPFS as per format of investments as applicable to the National Pension and Provident Fund Plan; and
  - pay benefits due to the members or their beneficiaries in accordance with “The Armed Forces Pension and Provident Fund Rules and Regulations”.

The National Pension Board shall arrange to issue annual statement to each member depicting the accrued Provident Fund.

#### **Liability of the Trustees**

- 71 The National Pension Board as “The Trustees” shall not, at any time, be made liable for any more money than what may actually come into their hands or for the dishonesty of any clerk, servant of attorney or other persons with whom any part of the trust property may be deposited or be placed in charge or for anything other than their own immediate and respective willful acts, deeds and defaults. “The Trustees” shall be entitled to be indemnified by “The Government” against all proceedings, costs and expenses occasioned by any claim in connection with “The Fund” not arising from their negligence or fraud, or incompetence or any willful act.

## **OBLIGATIONS OF THE MEMBERS**

### **Information to be supplied by the covered employees**

- 72 Every member of the Armed Forces including the civil employees of the Armed Forces who is eligible to become a member of the AFPPFS shall be asked forthwith by the Armed Forces to furnish, and the member shall on such demand, furnish for communication to the NPPF, particulars concerning himself/herself and the members of the family in the forms prescribed by the NPPF.

## **OBLIGATIONS OF ARMED FORCES**

### **Remittance of contributions**

- 73 Armed Forces shall remit both Government and employees' contributions to the AFPPFS account by the 10<sup>th</sup> of each month.
- 74 If the employment of a covered employee does not start on the first of the month, the contribution payable for that month shall be based on the employee's actual salary up to that month.
- 75 In the event of failure to remit the contributions in time, a penal interest of two (2) percent per month or part thereof shall be levied to the Armed Forces on late remittance of the contribution.

### **Contributions to be calculated to the nearest Ngultrum**

- 76 Each contribution payable to the AFPPFS shall be calculated to the nearest Ngultrum, 50 chhetrums or more to be counted to the next higher Ngultrum and a fraction of a Ngultrum less than 50 chhetrums shall be ignored.

### **Registers and records under the AFPPFS**

- 77 The Armed Forces shall maintain and update basic record of AFPPFS accounts in respect of the members of the Armed Forces.

### **Information in respect of the employees leaving service of the employer**

- 78 The Armed Forces shall furnish information to NPPF within fifteen days of the close of the month in respect of the employees leaving service of the Armed Forces during the preceding month, provided that if there is no employee leaving service of the Armed Forces during the preceding month, the Armed Forces shall send a "Nil" return.

## **RIGHTS OF MEMBERS**

### **Allotment of account numbers**

- 79 For purpose of the AFPPFS, a covered member shall be assigned an account number in accordance with procedures established by the NPPF. On an annual basis, the NPPF shall provide a Statement of Provident Fund account of members.
- 80 A member shall have right to lodge complaints to the NPPF about the non/late remittance of contributions and the NPPF shall have the right to seek interventions/redress from a Court of Law.

### **Guarantee of benefits**

- 81 None of the benefits under the AFPPFS shall be denied to a covered member of the AFPPFS for want of compliance of the administrative requirements for such benefits by the Armed Forces, as prescribed by the NPB. The Armed Forces shall be held liable for non-compliance of administrative requirements.
- 82 The Royal Government of Bhutan shall guarantee the pension benefits prescribed in these Rules and Regulations.
- 83 A benefit claim, complete in all respect submitted along with the requisite documents, shall be settled and the benefit amount paid to the beneficiaries within thirty days from the date of its receipt by the NPPF. If there is any deficiency in the claim, the same shall be recorded in writing and communicated to the applicant within thirty days from the date of receipt of such application.
- 84 In case, the NPPF fails without sufficient cause to settle a claim complete in all respects within thirty days, the NPPF shall be liable for the delay beyond the said period with an interest at the rate of ten (10) per cent per annum (simple interest) on the benefit amount.

### **Benefits to be calculated to the nearest Ngultrum**

- 85 All items of benefits shall be calculated to the nearest Ngultrum, 50 chhetrums or more to be counted as the next higher Ngultrum and fraction of a Ngultrum less than 50 chhetrums shall be ignored.

### **Penalty for failure to submit return and other delinquencies**

- 86 If any person deducts or attempts to deduct from the salary of a member and or the whole or any part of the Armed Forces contribution and fails or refuses to submit any return, statement or other documents required by NPPF or submits a false return, statement or other documents, or makes a false declaration or obstructs any NPPF official in the discharge of his/her duties or fails to produce any record for inspection by

such official, or is guilty of contravention of or non-compliance with any other requirement of NPPF, the offender shall be penalized as per the Laws of the Land.

### **Withdrawal of pension**

- 87 The NPPF shall have the right to withdraw the pension of a pensioner if it is proven to have been obtained by willful suppression of material facts or have been granted in ignorance of facts, which had they been known, the official would have been disqualified from pension.

### **Cessation of pension**

- 88 A member shall not be entitled to pension or pension shall cease when a member or pensioner has:
- a) absconded from the country as declared by an appropriate authority;
  - b) relinquished the citizenship of the country; and
  - c) convicted of a felony under any Court of Law.

### **Amendments to Trust Deed/Rules and Regulations**

- 89 The NPB may, at any time add, rescind, alter or clarify to the provisions of the Armed Forces Pension and Provident Fund Scheme Rules and Regulations provided, however, that such alterations does not adversely affect the benefits already accrued up to the date of such alteration or the object of the Fund.