

NATIONAL PENSION AND PROVIDENT FUND PLAN RULES AND REGULATIONS OF THE KINGDOM OF BHUTAN, 2002

TABLE OF CONTENTS

SUBJECT	PAGE NO.
TITLE.....	3
COMMENCEMENT	3
EXTENT OF COVERAGE	3
OBJECTIVES.....	3
SECTION II DEFINITION OF TERMS.....	3
SECTION III THE NATIONAL PENSION AND PROVIDENT FUND PLAN	6
TWO TIERS OF THE NPPFP.....	6
TIER 1 OF THE NPPFP (THE PENSION PLAN).....	6
TIER 2 OF THE NPPFP (THE PROVIDENT FUND PLAN)	6
SECTION IV MEMBERSHIP IN THE NPPFP	7
MEMBERS OF THE GEPF - AUTOMATIC MEMBERS OF THE NPPFP	7
SIMULTANEOUS MEMBERSHIPS OF TIER 1 AND TIER 2 FOR THE GEPF MEMBERS.....	7
OPTION THAT SIMULTANEOUS MEMBERS OF TIER 1 AND TIER 2 SHALL EXERCISE AS ON JUNE 30, 2002.....	7
MEMBERSHIPS ONLY OF TIER 2 FOR THE GEPF MEMBERS	8
SIMULTANEOUS MEMBERSHIPS OF TIER 1 AND TIER 2 FOR EMPLOYEES WHO ARE NOT MEMBERS OF EITHER THE GEPF AND THE NPPF ON OR AFTER JUNE 30, 2002	8
MEMBERSHIPS ONLY OF TIER 2 FOR EMPLOYEES WHO ARE NOT MEMBERS OF EITHER THE GEPF AND THE PPF ON OR AFTER JUNE 30, 2002	9
REVIEW FOR SIMULTANEOUS MEMBERSHIP TO THE EMPLOYEES OF REGISTERED TRADE, INDUSTRIAL AND COMMERCIAL ESTABLISHMENTS.....	9
EXECUTION OF FORMAL AGREEMENTS FOR MEMBERSHIPS	10
SECTION V CONTRIBUTIONS TO THE NPPFP.....	10
CONTRIBUTIONS FROM A NPPFP MEMBER.....	10
MATCHING CONTRIBUTION FROM THE EMPLOYER.....	10
CREDITING OF THE MONTHLY CONTRIBUTIONS OF MEMBERS	10
SECTION VI FUNDS OF THE NPPFP.....	11
ESTABLISHMENT OF FUNDS OF THE NPPFP.....	11
CHARGES AGAINST THE FUNDS OF THE NPPFP	11
INVESTMENT OF THE FUNDS.....	11
SECTION VII THE GEPF AND THE NPPFP	12
DISCONTINUANCE OF THE GEPF	12
TRANSFER OF THE GEPF TO THE NPPFP	12
ACCOUNT OF A MEMBER IN THE GEPF TO BECOME HIS/HER ACCOUNT UNDER THE NPPFP	12
SECTION VIII BENEFITS OF MEMBERS OF TIER 1.....	13
PENSION BENEFITS	13
RETIREMENT BENEFITS TO A MEMBER	13
COMPUTATION OF PENSION BENEFITS TO A MEMBER	13
MAXIMUM AND MINIMUM PENSION BENEFITS TO A MEMBER	14

MEMBER’S PENSION ON EARLY RETIREMENT WITHIN FIVE YEARS OF ATTAINING MINIMUM CIVIL SERVICE RETIREMENT AGE.....	14
MEMBER’S PENSION ON EARLY RETIREMENT PRIOR TO FIVE YEARS OF ATTAINING MINIMUM CIVIL SERVICE RETIREMENT AGE.....	14
RETURN OF CONTRIBUTIONS IF A MEMBER HAS NOT SERVED A MINIMUM OF 10 YEARS AND HAS NOT MADE A MINIMUM OF 120 MONTHLY CONTRIBUTIONS.....	15
MEMBER’S PENSION IN CASE OF TERMINATION FROM SERVICE OR CONVICTION UNDER ANY COURT OF LAW.....	15
TREATMENT OF PAST SERVICE FOR NON-PAYMENT OF CONTRIBUTIONS	15
BENEFIT ON PERMANENT DISABILITY	15
BENEFITS TO THE FAMILY ON THE DEATH OF A MEMBER BEFORE ATTAINING CIVIL SERVICE RETIREMENT AGE.....	16
BENEFITS TO THE FAMILY ON THE DEATH OF A MEMBER AFTER RETIREMENT.....	17
BENEFITS TO THE ORPHAN ON THE DEATH OF A MEMBER	18
SECTION IX BENEFITS OF MEMBERS OF TIER 2	18
PROVIDENT FUND BENEFITS.....	18
FAILURE TO CLAIM BENEFITS OF TIER 2	19
EARLY WITHDRAWAL OF TIER 2 BENEFITS	19
SECTION X THE DIRECTORS OF THE NATIONAL PENSION BOARD AND THE NATIONAL PENSION AND PROVIDENT FUND.....	19
NATIONAL PENSION AND PROVIDENT FUND.....	19
THE DIRECTORS OF THE NATIONAL PENSION BOARD.....	19
POWERS AND FUNCTIONS OF THE BOARD OF DIRECTORS	20
CHIEF EXECUTIVE OFFICER OF THE NPPF	20
MEETINGS AND PROCEDURES	21
ANNUAL REPORT	21
ACCOUNTS AND AUDITS.....	21
OFFICES OF THE NPPF.....	22
ARRANGEMENTS WITH OTHER AGENCIES.....	22
SECTION XI ADMINISTRATION OF THE NPPFP AND SANCTIONS.....	22
OBLIGATIONS OF THE MEMBERS	22
INFORMATION TO BE SUPPLIED BY THE COVERED EMPLOYEES.....	22
DECLARATION BY PERSONS TAKING UP EMPLOYMENT	22
OBLIGATIONS OF EMPLOYERS.....	22
REMITTANCE OF CONTRIBUTIONS.....	22
CONTRIBUTIONS TO BE CALCULATED TO THE NEAREST NGULTRUM.....	23
REGISTERS AND RECORDS UNDER THE NPPFP	23
INFORMATION IN RESPECT OF THE EMPLOYEES LEAVING SERVICE.....	23
RIGHTS OF MEMBERS	23
ALLOTMENT OF ACCOUNT NUMBERS	23
GUARANTEE OF BENEFITS.....	23
BENEFITS TO BE CALCULATED TO THE NEAREST NGULTRUM	24
PENALTY FOR FAILURE TO SUBMIT RETURN AND OTHER DELINQUENCIES.....	24
WITHDRAWAL OF PENSION.....	24
CESSATION OF PENSION.....	24
AMENDMENTS TO THE RULES AND REGULATIONS	25

NATIONAL PENSION AND PROVIDENT FUND PLAN RULES AND REGULATIONS OF THE KINGDOM OF BHUTAN, 2002

SECTION I GENERAL PROVISIONS

Title

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

Commencement

- 2 These Rules and Regulations shall take effect on the 21st 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 NPPFP members;
 - b) income security in the event of permanent disability of a member;
 - c) social support to surviving members of family of the deceased member; and
 - d) compulsory savings plan for the salaried employees.

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 National Pension and Provident Fund Plan Rules and Regulations of the Kingdom of Bhutan, 2002.
 - b. “NPPFP” refers to the National Pension and Provident Fund Plan 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. “PPF” refers to the provident fund of the employees of the public and private ltd companies, non-government organizations and other registered trade, industrial, and commercial establishments maintained by the RICB or any other organizations.
- e. “NPPF” refers to the National Pension and Provident Fund created under the National Pension and Provident Fund Rules and Regulations of the Kingdom of Bhutan, 2002.
- f. “National Pension Board (NPB)” refers to the Board of Directors appointed under the National Pension and Provident Fund Rules and Regulations of the Kingdom of Bhutan, 2002.
- g. “Tier 1” and "Tier 2" refers to the two schemes that are integral parts of the National Pension and Provident Fund Plan.
- h. “Member” refers to an employee who is covered by the National Pension and Provident Fund Plan either as a simultaneous member of Tier 1 and 2 or as a member only of Tier 2.
- i. “Civil servants” refers to the employees as categorized under the Bhutan Civil Service Rules 1990.
- j. “Regular employees” refers to the employees that have been extended regular appointments by the Royal Government of Bhutan or by the concerned agencies/organizations included under the NPPFP.
- k. “Private sector” refers to the registered trade, industrial and commercial establishments which do not belong to or are not under the control of the Royal Government of Bhutan but which are owned by private persons.
- l. “Registered trade, industrial, and commercial establishments” are those organizations/ agencies duly registered with the Ministry of Trade and Industry.
- m. “Private companies” refers to those companies defined as private companies under the Companies Act of Bhutan.
- n. “Covered monthly salary” refers to the basic salary received by a member in a month minus perquisites and allowances.
- o. “Tier 1 Fund” refers to the fund established for the members of Tier 1 under these Rules and Regulations.
- p. “Tier 2 Fund” refers to the fund established for the members of Tier 2 under these Rules and Regulations.

- q. “Accounts of a member” refers to the account of contributions maintained for a member of Tier 1 or Tier 2.
- r. “Pension/Benefits” refers to the monthly pension that a member of Tier 1 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.
- s. “Retirement” refers to exit from regular employment.
- t. “Termination from service” refers to the dismissal of a member from service without retirement benefits on disciplinary grounds or convicted of felony under any Court of Law.
- u. “Pension sustainable age” refers to 56 years of age in the year 2002 and increases to 60 years over a period of 24 years for the purpose of pension benefits. The pension sustainable age does not in any way indicate the retirement age followed by the civil service, companies or any employers of any agencies /organizations whose employees are members of the NPPFP.
- v. “Permanent disability” refers to such disability of a permanent nature that incapacitates an employee of all work which he was capable of performing at the time of disability regardless of whether such disability is sustained in the course of employment or otherwise 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; and
 - iv. brain injury resulting to incurable imbecility or insanity.
- w. “Family” refers only to legally married spouse(s) and children as per the Laws of the Land.
- x. “Surviving children” refers to the legitimate sons and daughters of the deceased member, who are less than 18 years of age.
- y. “Surviving spouse” refers to the person whom a deceased person was legally married on or before retirement from service.
- z. “Service” refers to that service for which a member received a monthly salary.

- aa. “Early retirement pension” refers to the pension that a member of Tier1 shall receive on retirement before his/her attaining the minimum civil service retirement age (i.e. 56 years at present), provided that at least 120 monthly contributions has been made as per the *clauses 17, 18 and 19* to the NPPFP accounts. If a member retires before prior to five years of pension sustainable age, then such period shall not be considered as early retirement pension.
- bb. “Average Civil Service Salary Index” (ACSSI) refers to an annual civil service salary index as determined by the NPB.
- cc. “Pension Points” (PP) refers to the points computed by a total covered salary of a member in each financial year divided by the corresponding ACSSI of the same year.
- dd. “Orphan” refers to a person who is less than 18 years and none of whose parents are alive.
- ee. “Lump sum benefits” refers to the benefits to be received by members from Tier 2 account.

SECTION III THE NATIONAL PENSION AND PROVIDENT FUND PLAN

Two Tiers of the NPPFP

- 6 The National Pension and Provident Fund Plan is comprised of a defined benefit pension plan (Tier 1) and a defined contribution provident fund (Tier 2).

Tier 1 of the NPPFP (The Pension Plan)

- 7 The Pension Plan, titled Tier 1 of the NPPFP, is a partially funded, pay-as-you-go plan, under which monthly pension benefits are provided upon retirement of a member of Tier 1 or upon his/her permanent disability prior to his/her retirement. Upon death of a member prior or after retirement, monthly benefits shall be given to the surviving spouse and surviving children.

Tier 2 of the NPPFP (The Provident Fund Plan)

- 8 The Provident Fund Plan, titled Tier 2 of the NPPFP, is a defined contribution, fully funded plan under which a lump sum benefit equivalent to all the contributions to a member’s Tier 2 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 NPPFP

Members of the GEPF - automatic members of the NPPFP

- 9 On July 1, 2002, when the NPPFP commences, all the members of the GEPF as on June 30, 2002, shall automatically become members of the NPPFP, classified into two kinds of members, namely: -
- (a) those who are simultaneous members of Tier 1 and Tier 2; and
 - (b) those who are members only of Tier 2.

Simultaneous memberships of Tier 1 and Tier 2 for the GEPF members

- 10 The members of the GEPF as on June 30, 2002, who becomes simultaneous members of Tier 1 and Tier 2 as on July 1, 2002, are the following:
- (a) Bhutanese national regular civil servants;
 - (b) Bhutanese national regular employees of public organizations, projects and institutions of the Royal Government;
 - (c) other Bhutanese national regular public servants including Ministers and Deputy Ministers who makes PF contributions in accordance with *clauses 17, 18 and 19* of these Rules and Regulations;
 - (d) Bhutanese national regular employees of fully owned government, joint sector and public companies who makes contributions to the NPPFP in accordance with *clauses 17, 18 and 19* of these Rules and Regulations; and
 - (e) Bhutanese national regular employees of NGOs, public limited and private limited companies who were members of private provident fund (PPF maintained by the RICB or any other organizations) and fulfills the terms and conditions as enumerated in *clauses 17, 18 and 19* of these Rules and Regulations and the said companies opt to join the NPPFP.

Option that simultaneous members of Tier 1 and Tier 2 shall exercise as on June 30, 2002

- 11 The members of the GEPF who are 51 years old or over as on July 1, 2002 may exercise the option not to be enrolled in Tier 1 of the NPPFP. If such option is exercised then such member shall therefore be considered as member only of Tier 2 and shall be entitled to the benefits provided in these Rules and Regulations for members of Tier 2. No part of the Tier 2 accounts of such member or any contributions to the NPPFP made thereafter by such members, shall be allocated or transferred to Tier 1 account.

Memberships only of Tier 2 for the GEPF members

- 12 The members of the GEPF as on June 30, 2002, who becomes members only of Tier 2 as on July 1, 2002, are the following:
- (a) expatriate regular civil servants;
 - (b) expatriate regular employees of other public organizations, projects and institutions of the Royal Government;
 - (c) expatriate regular employees of fully owned government and joint sector companies and fulfills the terms and conditions as enumerated in *clauses 17, 18 and 19.2* of these Rules and Regulations;
 - (d) expatriate regular employees of NGOs, public limited and private limited companies who were members of private provident fund (PPF maintained by the RICB or any other organizations) and fulfills the terms and conditions as enumerated in *clauses 17, 18 and 19.2* of these Rules and Regulations and the said companies opt to be a member of the NPPFP; and
 - (e) both Bhutanese national and expatriate regular employees of registered trade, industrial and commercial establishments who were members of private provident fund (PPF maintained by the RICB or any other organizations) and who makes contributions in accordance with *clauses 17, 18 and 19.2* of these Rules and Regulations and the said establishments opt to join the NPPFP.

Simultaneous memberships of Tier 1 and Tier 2 for employees who are not members of either the GEPF and the NPPF on or after June 30, 2002

- 13 New employees who are not members of either the GEPF or the PPF as on June 30, 2002 and thereafter who shall be entitled to become a simultaneous member of Tier 1 and Tier 2 on the date of enrollment with the NPPFP are the following:
- (a) any person who joins the services on or after July 1, 2002 and fulfills the terms and conditions as enumerated in *clause 10*;
 - (b) Bhutanese national regular employees of a fully owned government, joint sector and public companies that maintains similar or equivalent provident fund plans and the said companies opt to join the NPPFP on or after July 1, 2002 and the said employees fulfill the terms and conditions as enumerated in *clauses 17, 18 and 19* of these Rules and Regulations;
 - (c) Bhutanese national regular employees of a registered public limited and private limited company incorporated under the Companies Act of the Kingdom of Bhutan and the said company opts to join the NPPFP on or after July 1, 2002 and the said employees fulfill the terms and conditions as enumerated in *clauses 17, 18 and 19* of these Rules and Regulations; and

- (d) Bhutanese national regular employees of registered non-governmental organizations incorporated under any Act or any Government Decree and the said organizations opt to join the NPPFP on or after July 1, 2002 and the said employees fulfill the terms and conditions as enumerated in *clauses 17, 18 and 19* of these Rules and Regulations.

Memberships only of Tier 2 for employees who are not members of either the GEPF and the PPF on or after June 30, 2002

- 14 New employees who are not members of either the GEPF or the PPF as on June 30, 2002 and thereafter who shall be entitled to become members only of Tier 2 on the date of enrollment with the NPPFP are the following:
- (a) any person who joins the service on or after July 1, 2002 and fulfills the same terms and conditions as enumerated in *clause 12*;
 - (b) expatriate regular employees of a fully owned government, joint sector and public companies that maintains similar or equivalent provident fund plans and the said companies opt to join the NPPFP on or after July 1, 2002 and the said employees fulfill the terms and conditions as enumerated in *clauses 17, 18 and 19.2* of these Rules and Regulations;
 - (c) expatriate regular employees of a registered public limited company or private limited company incorporated under the Companies Act of the Kingdom of Bhutan and the said company opts to join the NPPFP as on or after July 1, 2002 and the said employees fulfill the terms and conditions as enumerated in *clauses 17, 18 and 19.2* of these Rules and Regulations;
 - (d) expatriate regular employees of a registered nongovernmental organizations incorporated under any Act or any Government Decree and the said organizations opt to join the NPPFP as on or after July 1, 2002, and the said employees fulfill the terms and conditions as enumerated in *clauses 17,18 and 19.2* of these Rules and Regulations; and
 - (e) both Bhutanese national and expatriate regular employees of registered trade, industrial and commercial establishments registered under any Act and the said establishments opt to join the NPPFP on or after July 1, 2002 and the said members fulfill the terms and conditions as enumerated in *clauses 17, 18 and 19.2* of these Rules and Regulations.

Review for simultaneous membership to the employees of registered trade, industrial and commercial establishments

- 15 There shall be a review of the NPPFP, particularly of its actuarial and administrative aspects of extending the simultaneous membership to the employees of other registered trade, industrial and commercial establishments in the private sector. If justified by such a review, the NPB may extend the coverage of simultaneous memberships to such establishments.

Execution of formal agreements for memberships

- 16 The membership to Tier 1 and Tier 2 of the National Pension and Provident Fund Plan for NGOs, public and private limited companies and registered trade, industrial and commercial establishments shall be formalized through a valid agreement executed between the said organizations and the National Pension and Provident Fund enumerating the terms and conditions agreed upon by the employers and employees of the said organizations, and the National Pension and Provident Fund.

SECTION V CONTRIBUTIONS TO THE NPPFP

Contributions from a NPPFP member

- 17 A member shall contribute to the NPPFP a minimum of 8% of his/her monthly salary.

Matching contribution from the employer

- 18 The employer, on behalf of an employee, shall make matching contribution to the NPPFP.

Crediting of the monthly contributions of members

- 19 The total monthly employer and employee contributions shall be credited as follows:

19.1 For a simultaneous member of Tier 1 and Tier 2, the employer and employee contribution equivalent to 10 percent of employee's covered monthly salary shall be credited to employee's Tier 1 account subject to:

- a) a maximum of four pension points in a year; and
- b) total pension points to earn pension amounts equivalent to 200% of ACCSI.

The balance of the employer and employee contribution after crediting to employee's Tier 1 account shall be credited to his/her Tier 2 account.

19.2 For a member only of Tier 2, the total contribution in respect of such member shall all be credited to his/her Tier 2 account.

SECTION VI FUNDS OF THE NPPFP

Establishment of Funds of the NPPFP

- 20 From and out of the contributions paid to the NPPFP by the members and their employers, the NPPF shall establish two separate funds, the Tier 1 Fund and the Tier 2 Fund.

Charges against the Funds of the NPPFP

- 21 The benefits to be paid to members of Tier 1 shall be charged to the Tier 1 Fund. The benefits to be paid to members of Tier 2 shall be charged to the Tier 2 Fund.
- 22 All funds and benefits accumulated to a member under the NPPFP shall not be liable to attachments, garnishments, levy or seizure except to pay any dues of the member to the NPPF and to the employer.
- 23 The National Pension and Provident Fund shall be exempted from all taxes and assessment thereof on income derived from contributions and investments.
- 24 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.
- 25 The administrative expenses incurred by the NPPF in the administration of the NPPFP shall be charged in the proportion to be determined by the NPB to the Tier 1 Fund and the Tier 2 Fund.

Investment of the Funds

- 26 The funds of the NPPFP 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 THE GEPF AND THE NPPFP

Discontinuance of the GEPF

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

Transfer of the GEPF to the NPPFP

28 The GEPF shall vest in and stand transferred to the NPPFP on July 1, 2002, in accordance with the directives of the Royal Government of Bhutan.

29 Accumulated PF of the Armed Forces shall be transferred to the Armed Forces Pension and Provident Fund Account. The Armed Forces Pension and Provident Fund operations shall be managed and administered by the National Pension Board in accordance with the Trust Deed of the Armed Forces Pension and Provident Fund Scheme. The funds, accounts and records of the Armed Forces Pension and Provident Fund Scheme shall be maintained separately and shall not be commingled with the funds, accounts and records of the NPPFP.

Account of a member in the GEPF to become his/her account under the NPPFP

30 The account of a member in the GEPF shall become the member's Tier 2 account under the NPPFP. The amount of such Tier 2 account shall be exactly equal to the member's account in the GEPF as on June 30, 2002. On July 1, 2002, in the case of a simultaneous member of Tier 1 and Tier 2, the following proportionate account balances of such member's Tier 2 account shall be transferred to his/her Tier 1 account subject to clauses 19.1 (a) and (b):

Category of Members	Proportionate transfers to Tier 1 account
Members with 8% employee contributions	62.5% of total accumulated balance
Members with 10% employee contributions	50% of total accumulated balance

SECTION VIII BENEFITS OF MEMBERS OF TIER 1

Pension benefits

- 31 A member of Tier 1 shall be entitled to a monthly pension on his/her retirement, or on his/her permanent disability. On his/her death, a monthly benefits shall be payable to his/her surviving children and surviving spouse.

Retirement benefits to a member

- 32 A member of Tier 1 shall be entitled to pension if a minimum of 120 monthly contributions has been made to the Tier 1 account as per *clauses 17, 18 and 19* and the employee retires under the provisions of *clauses 33 and 34* of these Rules and Regulations.
- 33 A member of Tier 1 may be retired by the employers on attaining the minimum civil service retirement age. While the minimum civil service retirement age is 56 years (at present), the pension sustainable age of a member of Tier 1 shall be increased by two months each year until the pension sustainable age reaches to 60 years within 24 years as provided in the table annexed.
- 34 Full working period is taken as 30 years for the pension sustainable age of 56 years and shall increase proportionately with increase in the pension sustainable age as provided in table annexed.

Computation of Pension Benefits to a member

- 35 The amount of the member's pension payable shall be computed as follows:

(a) **Member's pension = $\frac{\text{Total Pension Points X 60\% of ACSSI for the previous year}}{\text{Full working period}}$**

- (b) In each financial year of employment, a member of Tier 1 is credited with a number of pension points equal to his/her covered annual salary for the Financial Year divided by the Average Annual Civil Service Salary Index.

Member's Pension Points (PP) = $\frac{\text{Annual Salary of a member}}{\text{ACSSI of the same financial year}}$

- (c) The total number of pension points on retirement, is the sum of the pension points (PP) credited during the period of membership in Tier 1 starting from the date of commencement/ joining the GEPF or commencement/joining the NPPFP, whichever is later.

Computation of Average Civil Service Salary Index (ACSSI)

- (d) For the period of 12 months ending on June 30 of each year, the total civil service salary paid to civil servants for the aforementioned 12-months period is divided by the total service. The number of civil servants actually worked in the same 12-months period is all added up resulting in total service.

$$\text{ACSSI} = \frac{\text{Total civil service salary}}{\text{Total Service}}$$

Maximum and Minimum pension benefits to a member

- 36 The maximum retirement pension shall be two hundred (200) percent of the ACSSI.
- 37 The minimum retirement benefit payable is thirty (30) percent of ACSSI.

Member's pension on early retirement within five years of attaining minimum civil service retirement age

- 38 If a member has served 10 years or more and has made a minimum of 120 monthly contributions to the Tier 1 account as per *clauses 17, 18 and 19* and the member retires within five years prior to minimum civil service retirement age, the pension to such a member is payable from the date of attaining minimum civil service retirement age. The member may however opt to receive pension with immediate effect. If the member so opts, the pension points of the member accumulated shall permanently be reduced at the rate of $\frac{1}{2}$ of 1 percent for every month the age falls short of the minimum civil service retirement age. The member's pension with the reduced pension points shall be computed as per *clauses 35, 36 and 37* of these Rules and Regulations. Such pension shall be payable from the date of exit from service until the death of a member.

Member's pension on early retirement prior to five years of attaining minimum civil service retirement age

- 39 If a member has served 10 years or more and has made a minimum of 120 monthly contributions to the Tier 1 account as per *clauses 17, 18 and 19* and the member retires earlier than five years prior to minimum civil service retirement age, the pension to such a member is payable from the date of attaining minimum civil service retirement age. The member may however opt to receive pension with effect from five years (60 months) prior to attaining the minimum civil service retirement age. If the member so opts, the pension points of the member accumulated shall permanently be reduced by thirty (30) percent (at the rate of $\frac{1}{2}$ of 1 percent of 60 months). The member's pension with the reduced pension points shall be computed as per *clauses 35, 36 and 37* of these Rules and Regulations and payable from five years (60 months) prior to attaining the minimum civil service retirement age until the death of the member. The member shall not be paid any pension from the date of exit from service before five years (60 months) prior to attaining the minimum civil service retirement age.

Return of 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 as per *clauses 17, 18 and 19* but less than a minimum of 120 monthly contributions to the Tier 1 account, and the member exits from service by retirement, retrenchment and or under any condition except in case of members death, such member shall not be eligible for pension benefits from Tier 1 account. Scale accumulated contributions shall be returned to the retiree or the nominee(s) of the member(s) from the Tier 1 account with interest. In case of death of a member the benefits will be regulated as per clauses 47, through 55, 65 and 66.
- 41 If a member has served less than 12 months and has not made a minimum of 12 monthly contributions to the Tier 1 account as per *clauses 17, 18 and 19* and the member exits from service by retirement, retrenchment, death and or under any condition, such member shall not be eligible for pension benefits from Tier 1 account nor shall such employees be entitled for any refund from the Tier 1 account.

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

- 42 If a member is terminated from employment by the employer either on disciplinary ground or convicted of a felony under any Court of Law, such member shall not be eligible for the benefits of Tier 1 nor shall be entitled to return of contributions made to the Tier 1 account.

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 NPPFP has not been paid as per *clauses 17, 18 and 19*, the said period shall not be counted as eligible service for the computation of Tier 1 benefits.

Benefit on permanent disability

- 44 A member of Tier 1 who is permanently disabled before his/her retirement shall be entitled to a benefit equivalent to thirty (30) percent of the ACSSI, provided that at least 36 monthly contributions has been made to the Tier 1 account as per *clauses 17, 18 and 19* and the member has served a minimum of 3 years before his/her permanent disability and the amount of benefit shall be reduced by any monthly workmen's compensation benefit received for the period of disability.
- 45 The permanent disability benefit shall be payable from the date of permanent disability throughout the continuance of such a disability until the minimum civil service retirement age or recovery or death of the member. Upon attaining the minimum civil service retirement age, the member shall receive normal pension benefits due on retirement or the minimum pension whichever is higher.

- 46 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 the member is permanently disabled.

Benefits to the family on the death of a member before attaining civil service retirement age

- 47 Benefits to the family shall be payable if a member of Tier 1 dies before his/her retirement, provided that at least 36 monthly contributions has been made to the Tier 1 account as per *clauses 17, 18 and 19* and the member has served a minimum of 3 years before his/her death.
- 48 Benefit to the “surviving spouse” is payable to a person whom a deceased person was legally married before death.
- 49 The benefit to the surviving spouse(s), in case of death before retirement shall commence from the month following the date of the death of the member or the date when the surviving spouse reaches age 50, whichever is later.
- 50 Total benefit to the surviving spouse(s) when payable shall be equal to fifty (50) percent of the pension that the deceased member would have received, had he retired on the date of death or thirty (30) percent of the ACSSI, whichever is greater.
- 51 In cases where there are two or more surviving spouses, the surviving spouses’ benefits shall be payable as per the Laws of the Land.
- 52 The benefits of the surviving spouse(s) shall be payable up to his/her date of death or remarriage, whichever is earlier.
- 53 The children benefit (up to the age of 18 years subject to maximum of three children) shall be payable from the date of death of the member until a child’s age attains 18 and shall be ten (10) percent of the ACSSI for each child but not more than thirty (30) percent in total.
- 54 In cases where there are more than three or more surviving children, the benefits shall be payable to the surviving children until the age of 18 as per the Laws of Land. On his/her attaining the age of 18, the benefits shall be payable to the next child, if any.
- 55 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 at least 120 monthly contributions has been made to the Tier 1 account as per *clauses 17, 18 and 19* and the member has served a minimum of 10 years. The member may nominate either his/her dependent biological or legally adopted father or mother to claim his/her benefits on his/her death. The benefit to his/her dependent biological or legally adopted father or mother when payable shall be fifty (50) percent of the member’s pension or thirty (30) percent of ACSSI, whichever is greater. Such benefits shall commence from the month following the date of the death of the member or the date

when the nominated dependent parent attains minimum civil service retirement age whichever is later.

Benefits to the family on the death of a member after retirement

- 56 Benefits to the family shall be payable if a member of Tier 1 dies after his/her retirement.
- 57 Benefit to the “surviving spouse” is payable to a person whom a deceased person was legally married on or before retirement from service.
- 58 The surviving spouse(s) shall receive a total benefit equivalent either to fifty (50) percent of the pension that the deceased member was receiving or thirty (30) percent of the ACSSI, whichever is greater.
- 59 The benefit to the surviving spouse(s) in case of death after retirement shall commence from the month following the date of the death of the member or the date when the surviving spouse reaches age 50, whichever is later.
- 60 The benefit of the surviving spouse(s) shall be payable up to his/her date of death or remarriage whichever is earlier.
- 61 In cases where there are two or more surviving spouses, the surviving spouses’ pension shall be payable as per the Laws of the Land.
- 62 The children benefit (up to the age of 18 years subject to maximum of three children) shall be payable from the date of death of the member until a child’s age attains 18 and shall be ten (10) percent of the ACSSI for each child but not more than thirty (30) percent in total.
- 63 In cases where there are more than three or more surviving children, the benefit shall be payable to the surviving children until the age of 18 as per the Laws of the Land. On his/her attaining the age of 18, the benefit shall be payable to the next child, if any.
- 64 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 at least 120 monthly contributions has been made to the Tier 1 account as per *clauses 17, 18 and 19* and the member has served a minimum of 10 years. The member may nominate either his/her dependent biological or legally adopted father or mother to claim his/her benefits on his/her death. The benefit to his/her dependent biological or legally adopted father or mother when payable shall be fifty (50) percent of the member’s pension or thirty (30) percent of ACSSI, which ever is greater. Such benefit shall commence from the month following the date of the death of the member or the date when the nominated dependent parent attains minimum civil service retirement age whichever is later.

Benefits to the orphan on the death of a member

- 65 If the deceased member is not survived by any spouse, but is survived by children, such children shall be entitled to an orphan benefit equal to fifteen (15) percent of the ACSSI per child until the age of 18 as per the Laws of the Land, provided that at least 36 monthly contributions has been made as per *clauses 17, 18 and 19* and the member has served a minimum of 3 years.
- 66 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 as per the Laws of the Land.

SECTION IX BENEFITS OF MEMBERS OF TIER 2

Provident Fund Benefits

- 67 Benefits to a member from Tier 2 account shall be paid as follows:
- (a) If a member of Tier 2 only has completed one year or more service and made more than 12 monthly contributions as per *clauses 17, 18 and 19* and leaves the service, he/she shall be paid accumulated contributions credited to Tier 2 account along with returns credited thereon.
 - (b) If a member only of Tier 2 has made less than 12 monthly contributions as per *clauses 17, 18 and 19* and leaves the service or terminated from the service by the employer on disciplinary ground 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 employer along with the returns credited thereon shall be transferred to the NPPFP general reserve account.
 - (c) If a simultaneous member has completed one year or more service and made more than 12 monthly contributions as per *clauses 17, 18 and 19* to Tier 2 account and leaves the service, he/she shall be paid accumulated contributions credited to Tier 2 account along with returns credited thereon minus any withdrawals made by the member.
 - (d) If a simultaneous member has made less than 12 monthly contributions as per *clauses 17, 18 and 19* and leaves the service before one year or terminated from the service by the employer on disciplinary ground or convicted of a felony under any Court of Law, he/she shall be entitled to receive accumulated contributions credited to Tier 2 account along with returns thereon less any contributions credited to Tier 2 account from out of employer's contributions along with the returns credited thereon, which shall be transferred to the NPPFP general reserve account.

Failure to claim benefits of Tier 2

- 68 If the member or his/her nominee fails to claim his/her benefits under Tier 2 account upon exit from employment and the whereabouts of the member or his/her nominee is not known both to the employer and the NPB, on expiry of 3 years from the date of discontinuance of the contributions by the member, the NPB shall forfeit the accumulated fund of the member and transfer the same to the NPPFP general reserve account.

Early withdrawal of Tier 2 benefits

- 69 A member of Tier 2 shall not be allowed any withdrawal other than during exit from employment 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 X THE DIRECTORS OF THE NATIONAL PENSION BOARD AND THE NATIONAL PENSION AND PROVIDENT FUND

National Pension and Provident Fund

- 70 The National Pension and Provident Fund is established as an autonomous agency to manage and implement the National Pension and Provident Fund Plan as per the provisions of these Rules and Regulations.

The Directors of the National Pension Board

- 71 The powers of the NPPF shall be vested in a Board of Directors named as the National Pension Board, which shall be responsible for policy decisions and general supervision.
- 72 The National Pension Board shall consist of nine Directors, namely a member of the Council of Ministers, the Secretary of Finance, the Secretary of the Royal Civil Service Commission and the Director of the Department of Employment and Labour, all of whom shall serve by virtue of their offices. The Chief Executive Officer of the NPPF appointed by the Royal Government, shall be a Member Secretary of the National Pension Board.
- 73 Four other Directors shall be persons of recognized experience or standing in financial, industrial and social matters and each shall be nominated by the sectors concerned from out of the Chief Executives of financial institutions and public corporations and the representatives from the armed forces and the private sector. They shall be appointed for a term of three years and shall be eligible for reappointment.
- 74 A member of the Council of Ministers shall be the Chairman of the Board and during his/her absence or disability, the senior most Director shall chair the meetings of the Board.

Powers and functions of the Board of Directors

- 75 The Board shall have the power to make, alter and repeal rules and regulations for the purpose of giving effect to the provisions of the Rules and Regulations and for the implementation of the NPPFP.
- 76 The Board shall be independent and autonomous in the discharge of its functions.
- 77 The Board shall be the final authority for the interpretation of the provisions of these Rules and Regulations.
- 78 The Board shall have the power to appoint and employ at such remuneration and at such terms and conditions, as it shall prescribe such officers, employees and retainers, as the NPB shall consider necessary for the implementation of the NPPFP.
- 79 The Board shall determine sitting fees and allowances to be received by the Directors.
- 80 Any appointed Director may resign from his/her office on giving notice in writing to the Royal Government. Such resignation shall be effective upon its acceptance by the Royal Government.
- 81 Any appointed Director of the NPB may be removed from his/her office only upon a finding of three Directors of the NPB, including the Chairman of:
- (a) permanent incapacity;
 - (b) serious misconduct in office substantially prejudicing the interest of the NPB.

Chief Executive officer of the NPPF

- 82 The Chief Executive Officer shall be responsible to the Board for implementation of the policy and the day-to-day affairs of the NPPF.
- 83 The Chief Executive Officer shall have the power to act, contract, and sign instruments and documents, on behalf of the Directors of the National Pension Board. He/she shall, pursuant to resolution of and to the extent deemed appropriate by the Board, delegate such powers to other officers.
- 84 The Chief Executive Officer may resign from his/her office on giving notice in writing to the Royal Government. Such resignation shall be effective upon its acceptance by the Royal Government.
- 85 The Chief Executive Officer of the NPPF may be removed from his/her office only upon a finding of three Directors of the NPB, including Chairman of:
- (a) permanent incapacity;

- (b) serious misconduct in office substantially prejudicing the interest of the NPB.

Meetings and procedures

- 86 The National Pension Board shall meet at least once in every quarter. The Chairman shall convene additional meetings as and when necessary. A minimum of two weeks notice period should be provided to attend the meetings of the Board.
- 87 Except when the Director is out of station, every Director of the NPB shall attend all of its meetings without fail.
- 88 No Director shall be permitted to depute a substitute to any meetings of the National Pension Board.
- 89 The quorum of any meeting of the Directors of the NPB shall be at least six Directors.
- 90 All matters concerning policies, rules and regulations shall be decided by a two third majority of the Directors present and voting in a meeting.

Annual Report

- 91 The NPPF shall submit annually not later than October 31, a report covering the activities undertaken by the NPPF during the preceding year including information and recommendations on the broad policies for the development of the NPPFP.

Accounts and Audits

- 92 The NPPF shall keep proper and separate books of accounts giving a true and fair view of the operations of both the Pension (Tier 1) and the Provident Fund (Tier 2) with respect to:
- all sum of money received and spent,
 - the assets and liabilities of the National Pension and Provident Fund, and
 - such other particulars as shall be required by the Royal Government from time to time.
- 93 The books of accounts shall be kept on mercantile system based on generally accepted accounting principles. The financial year of the NPPF shall coincide with the RGOB financial year.
- 94 The NPPF shall in each year prepare its annual accounts; namely the Revenue and Expenses Account and Fund Statement separately.

- 95 The books of accounts and other documents shall be made available for inspection to the Royal Government or its authorized agents at any time during business hour on any working day within a reasonable time.
- 96 The accounts of the NPPF shall be audited once a year and the correctness and fairness of its accounts and annual statements of financial condition and results of operations ascertained by auditor(s) appointed by the National Pension Board from the panel maintained by the Royal Audit Authority.

Offices of the NPPF

- 97 As shall be deemed necessary by the National Pension Board, the NPPF shall have its Head Office in Thimphu and branches within Bhutan.

Arrangements with other Agencies

- 98 The NPPF shall enter into arrangements for the collection of contributions and the disbursement of Pensions and other benefits under the NPPFP with agencies of the Royal Government of Bhutan or the national banks.

SECTION XI ADMINISTRATION OF THE NPPFP AND SANCTIONS

OBLIGATIONS OF THE MEMBERS

Information to be supplied by the covered employees

- 99 Every employee who is eligible to become a member of the NPPFP shall be asked forthwith by his/her employer to furnish, and the employee 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.

Declaration by persons taking up employment

- 100 The employer shall before taking any person into employment, ask him/her to state in writing whether or not he/she is a member of the NPPFP and, if he/she is so, ask him/her to furnish a copy of the NPPFP account number issued by the NPPF to him/her in respect of the past employment, as the case may be.

OBLIGATIONS OF EMPLOYERS

Remittance of contributions

- 101 All employers shall remit both employers and employees' contributions to the NPPFP account by the 10th of each month.

- 102 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.
- 103 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 employer/agency.

Contributions to be calculated to the nearest Ngultrum

- 104 Each contribution payable to the NPPFP, 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 NPPFP

- 105 Every employer shall maintain and update basic record of NPPFP accounts in respect of the employees who are members of the NPPFP.

Information in respect of the employees leaving service

- 106 All employers shall send to NPPF within fifteen days of the close of the month information in respect of the employees leaving service of the employer during the preceding month, provided that if there is no employees leaving service of the employer during the preceding month, the employers shall send a "Nil" return.

RIGHTS OF MEMBERS

Allotment of account numbers

- 107 For the purposes of the NPPFP, a member shall be assigned an account number in accordance with the procedures established by the NPPF. On an annual basis, the NPPF shall provide a statement of members' accounts to the members.
- 108 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

- 109 None of the benefits under the NPPFP shall be denied to a member of the NPPFP for want of compliance of the administrative requirements by the employer, as prescribed by the NPB. The employer shall be held liable for non-compliance of administrative requirements.
- 110 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 applicants within thirty days from the date of receipt of such application.

- 111 In case, the NPPF fails without sufficient cause to settle a claim 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) of the benefit amount.
- 112 The Royal Government of Bhutan shall guarantee the pension benefits prescribed in these Rules and Regulations.

Benefits to be calculated to the nearest Ngultrum

- 113 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

- 114 If any person deducts or attempts to deduct from the salary of a member and or the whole or any part of the employer 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

- 115 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 before the retirement, the official would have been disqualified from pension.

Cessation of pension

- 116 A member shall not be entitled to pension or a 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 the Rules and Regulations

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

ANNEXURE**Pension sustainable ages and full working period**

Year of Retirement	Pension sustainable Age (in years)	Full working period (in years)
2002-2003	56 years and 0 month	30.00
2003-2004	56 years and 2 months	30.16
2004-2005	56 years and 4 months	30.33
2005-2006	56 years and 6 months	30.50
2006-2007	56 years and 8 months	30.66
2007-2008	56 years and 10 months	30.83
2008-2009	57 years and 0 month	31.00
2009-2010	57 years and 2 months	31.16
2010-2011	57 years and 4 months	31.33
2011-2012	57 years and 6 months	31.50
2012-2013	57 years and 8 months	31.66
2013-2014	57 years and 10 months	31.83
2014-2015	58 years and 0 months	32.00
2015-2016	58 years and 2 months	32.16
2016-2017	58 years and 4 months	32.33
2017-2018	58 years and 6 months	32.50
2018-2019	58 years and 8 months	32.66
2019-2020	58 years and 10 months	32.83
2020-2021	59 years and 0 months	33.00
2021-2022	59 years and 2 months	33.16
2022-2023	59 years and 4 months	33.33
2023-2024	59 years and 6 months	33.50
2024-2025	59 years and 8 months	33.66
2025-2026	59 years and 10 months	33.83
2026-2027	60 years and 0 month	34.00