

**Explanatory note on point (2) of the NPPF Notification dated May 5, 2011  
regarding contributory period more than 30 years**

The employees contribute 11% of the monthly basic salary with matching contribution by the employers making total contribution of 22%. Out of 22% contribution rate, 16% of the monthly basic salary is credited to pension account and the balance 6% to provident fund account. However, for the benefit of the members, contributions to the Pension Account shall be paid to a maximum of 30 years of contributory service with effect from July 1, 2010 under the new pension system. The pension contributions after 30 years of contributory service shall be refunded to the members by crediting their respective Provident Fund Accounts.

**1. Allocation of contribution AFTER July 1, 2010**

The contribution payable to Pension Account shall be limited up to a maximum of 30 years of contributory service. Therefore, the contributions paid to Pension Account over 30 years or more of contributory service shall be transferred to Provident Fund Account.

For the members who have reached 30 years or more of contributory service as on July 1, 2010, the pension contributions received after July 1, 2010 shall be transferred to Provident Fund Account.

**2. Allocation of contribution on or BEFORE June 30, 2010**

The contributions to Pension Account on or before June 30, 2010 were credited on the basis of pension points limited to maximum points earned by the individual employees during the contributory service irrespective of the number of years of contributory service. Therefore, the pension contributions received on or before June 30, 2010 shall remain credited under the Pension Account under the old pension system.

For clarification, the benefits under the new system are illustrated in the attachment.

**Mr. A, resigned on July 31, 2010 with more than 30 years of contributory service**

<b>Details</b>	<b>Under old formula (as of June 30, 2010)</b>	<b>Under new formula (as of July 31, 2010)</b>
Basic salary	27,780	37,503
Number of years of contributory service	34 years	34 years & 1 month
Total contribution to pension account	400,000	400,000
Contribution paid to pension account for the month of July 2010		6,000
Transfer of pension contribution to Mr. A's provident fund account	Only more than maximum pension points regardless of the number of contributory service	<b>6,000</b>
<b>Monthly Pension</b>		40% X 37,503 <b>Nu. 15,001</b>

**Mr. B, resigned on July 31, 2010 with less than 30 years of contributory service**

<b>Details</b>	<b>Under old formula (as of June 30, 2010)</b>	<b>Under new formula (as of July 31, 2010)</b>
Basic salary	25,000	33,750
Number of years of contributory service	29 years	29 years
Total contribution to pension account	300,000	305,400
Contribution paid to pension account for the month of July 2010		5,400
Transfer of pension contribution to Mr. B's provident fund account	Only more than maximum pension points regardless of the number of contributory service	- <b>(no transfer)</b>
<b>Monthly Pension</b>		<u>29 X 40% X 33,750</u> 30 <b>Nu. 13,050</b>