

ARMED FORCES PENSION DELIVERY SYSTEM

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ARMED FORCES PENSION DELIVERY SYSTEM RULES AND REGULATIONS, 2002

1. BACKGROUND

As per the directives of the Royal Government, the National Pension & Provident Fund (NPPF) will commence its pension and provident fund operations with effect from July 1, 2002. While the operations of the Provident Fund will be carried out as per the prevailing norms, a delivery system of the pension benefits as stipulated under the Armed Forces Pension and Provident Scheme Rules and Regulations of the Kingdom of Bhutan, 2002 has been formulated to achieve the following objectives:

- facilitate quality service;
prompt payment of pension benefits to the members and its survivors;
- minimize costs;
- minimize work load; and
- ease reconciliation and record keeping.

In order to establish the Armed Forces Pension Delivery System, the NPPF studied the possibilities of making arrangements with the following institutions:

- Open NPPF Branches;
- Transact through Bank of Bhutan and its Branches; and
- Transact through Bhutan Post where it has wide network.

Opening of NPPF branch offices are not viable in terms of sustainability and logistics.

After carrying out thorough discussions with both the Bank of Bhutan and Bhutan Post, the option was limited to operate the pension distribution system through the Bank of Bhutan only. The obvious choice was on account of the availability of wide banking network throughout the country.

Discussions with the Bank of Bhutan on the methods of pension deliveries identified the following options of delivering pension benefits:

Option 1: The monthly pension benefits will be credited directly into the account of the beneficiaries with the Bank of Bhutan; **or**

Option 2: Issue Bank of Bhutan postdated checks by the NPPF.

The Bank preferred a delivery system wherein the benefits are directly credited into a special pension savings account of the beneficiaries. Issue of

post-dated checks by the NPPF was found cumbersome and would face documentation problems. Accordingly both the Bank and the NPPF favored delivery of pension benefits directly to the members' account.

2. Type of pension benefits under the Armed Forces Pension and Provident Fund Scheme

The Armed Forces Pension and Provident Fund Scheme provides the following monthly pension benefits to its members and its family members:

To the members	To the family members
1 Retirement pension	1 Spousal benefits
2 Disability benefit	2 Children benefits
	3 Orphan benefits
	4 Dependent parent benefit in lieu of spousal and children benefit

3. Pension disbursement through Bank of Bhutan

3.1 In order to ensure prompt and trouble free service, the NPPF has made arrangements to disburse the monthly pension benefit of the pensioners through the Bank of Bhutan Branches. As mutually agreed, the NPPF will open pension disbursement accounts with the Bank of Bhutan in pre-designated disbursement branches of the Bank wherein funds to cover the disbursement of pension shall be provided for by the NPPF.

3.2 The Bank Accounts in each Bank branches will be titled as **“NPPF Pension Distribution Account”**. The account will be authorized to receive only the transfer of funds from the **“AFPPFS Main Pension Account”** maintained with the Bank of Bhutan, Thimphu. No other deposits shall be accepted into the NPPF Pension Distribution Account.

3.3 NPPF Pension Distribution Account will have neither cheque facilities nor withdrawal facilities. Payments from these accounts shall be made only through account transfer to members' Pension Savings Accounts maintained with the same Branch. A list of pensioners will be provided by the NPPF to the Bank from time to time, which will form the basis of disbursement of benefits to the pensioners by the Bank of Bhutan Branches.

3.4 Credits of pension from the NPPF Pension Distribution Accounts to the Pension Savings Accounts **will be made from 1st to 5th of each month**. No credits will be made after **5th to the end of the month**. All the designated branches of the Bank of Bhutan shall forward Bank Statement to the NPPF, Thimphu **by 16th of every month**.

4. Opening of Pension Savings Accounts by the pensioners and the beneficiaries

4.1 The pensioners or the beneficiaries of the AFPPFS will be required to open Pension Savings Accounts with any branch of the Bank of Bhutan titled as **“Pension Savings Account”**. The NPPF will submit a copy of **Retirement**

Benefit Form duly accomplished by the member with specific recommendation for opening of the account of the member with the Bank of Bhutan Branch. The retirement benefit form shall facilitate the BOB branch to identify the pensioner and also facilitate the opening of the members Pension Savings Accounts. This would also establish personal linkage of the pensioner with the Bank of Bhutan Branch.

- 4.2 The Pension Savings Account of a member is **a special account where the NPPF will exercise lien on any excess or default payment**. The lien should be established through a written undertaking by the pensioner/beneficiary to the Bank of Bhutan Branch and a copy endorsed to the NPPF. The BOB branch will note the lien on the account.
- 4.3 The Pension Savings Account is a special account where deposit of monthly pension by direct credit by concerned branch of Bank of Bhutan is allowed. No other deposit will be allowed to this account.
- 4.4 Withdrawal from these accounts will be made through withdrawal forms only. A member will be provided with the Bank Pass Book by the Bank of Bhutan Branch, which is required to be presented in person along with the NPPF Pension identity card for affecting withdrawals. Neither cheque facilities nor joint operation facilities will be allowed to these accounts. The accounts will not be allowed to be operated by a holder of Power of Attorney.
- 4.5 In case the pensioner or the beneficiaries are unable to withdraw the pension owing to any personal, health reasons or if he/she is away from place of residence consecutively for more than 2 months, he/she will have to inform the Bank and NPPF accordingly.
- 4.6 The spouses and the minor children of the deceased member is required to open New Pension Savings account observing the NPPF prescribed procedures to avail the pension benefits.

5. Duties and obligations of the members

The following are the duties and obligations of the pensioners:

- 5.1 The retiring and the disabled members need to accomplish in duplicate the standard pension benefit forms made available by the NPPF with the Employers. On completion and authentication by the employer of the form, the retiring members need to submit the documents to the NPPF in person or by mail. Like wise on the member's death, the beneficiaries need to complete the above formalities.
- 5.2 Along with the form, the member shall also submit two copies of recent photograph to enable the NPPF to issue the Pension Identity Card.
- 5.3 The members should insist for acknowledgement receipt (Form AF-I) from the NPPF while submitting the Forms. Otherwise, the NPPF will send the acknowledgement receipt by mail.
- 5.4 After verification of the claim, the NPPF will forward a copy of Form AF- III to the branches of BOB as per the member's choice and a copy will be

forwarded to the concerned member. The beneficiary should approach the Bank on receipt of the form and open a special pension savings account with the Bank branch.

- 5.5 A member can open only **one** pension savings account in his/her name.
- 5.6 The member should be present in person to the Bank of Bhutan Branch to open the Pension Savings Account. As required by the Bank, the member shall deposit the minimum amount of Nu. **200/-** for opening of Pension Savings Account.
- 5.7 While opening the Pension Savings Account, the member should accomplish the letter of undertaking and lien to the Bank of Bhutan Form (AF-IV & AF-V). The NPPF's lien on the account shall be noted on the account by BOB on opening of the account.
- 5.8 After opening of Pension Savings Account, the Bank will issue Pass Book. This account will be operated only for receipt and withdrawal of Pension benefits.
- 5.9 On receipt of confirmation from the Bank (Form AF- VI), the Pension Savings Account Number of the Pensioner will be noted in the NPPF records.
- 5.10 Each pensioner shall report to the Bank **in person** and present the NPPF identification Card and Passbook to the Bank to withdraw pension benefits.
- 5.11 In case the personal presence of the pensioner is not required under the Rules of the Armed Forces Pension Delivery System due to disability, sickness etc. the authorized person will be allowed to withdraw money from the pension savings account as per standard banking practice and in accordance with the procedures laid under the Armed Forces Pension Delivery System.
- 5.12 Normally, the pensioner shall withdraw his/her pension every month. However, he/she may choose to draw the pension periodically, but the time gap between two withdrawals should not exceed 90 days.
- 5.13 In the event the pensioners or beneficiaries are unable to withdraw pension owing to any personal, health reasons or if he/she is away from his place of residence longer than 2 months or more consecutively, he is required to inform the NPPF and the Bank. This would avoid unnecessary work for the NPPF in carrying out enquires on the status of the pensioners.
- 5.14 The family members of the pensioner should assist the NPPF in providing information on his/her status.

Opening of Pension Savings account by a minor

- 5.15 Accounts of minors (dependent children/orphan) will be opened and operated as per the prevailing banking practice.

CERTIFICATES TO BE FURNISHED BY THE PENSIONERS

LIFE CERTIFICATE

- 5.16 The pensioner shall furnish in duplicate a life certificate each year in **April** to the NPPF through the paying branches of BOB. (Form AF- VII)

NON-REMARRIAGE CERTIFICATE

- 5.17 In case of spousal benefits, the certificate of non-remarriage in duplicate shall be furnished in each year in **April** to NPPF through the paying branches of BOB (Form AF- VIII).

AUTHORITY TO SIGN THE ABOVE CERTIFICATES

- 5.18 All pensioners must handover the copies of the Life and Remarriage certificates to the NPPF through the Paying branches of BOB once on or before April 30 every year duly signed by any of the following personnel:

- | | | |
|--|------------------------------|----------------------------------|
| 1. Bank Managers | 2.Doctors | 3.District Administrators |
| 4. Civil Servants from BCSR grade five to one | | 5.Gups/Chimmis |
| 6. Past Employer | 7. School Head Master | 8 Local Lams |
| 9. Embassies | 10. Post Masters | |

Pensioners shall send the certificates to the NPPF through the respective paying branches of the Bank of Bhutan.

Payment of pension benefits will be suspended if the above certificates are not received by the NPPF through the paying branches of Bank of Bhutan in time.

6. Duties and obligations of Link Bank (Bank of Bhutan, Thimphu)

The Link Bank, the Bank of Bhutan, Thimphu will be used as the focal point for disbursement of pension benefits. The following are the duties and obligations of the Link Bank:

- 6.1 The Link Bank will maintain an account titled as "Main Pension Account" in favor of NPPF, Thimphu to be operated specifically for distribution of Pension to the Pension Distribution Accounts maintained with other Paying Branches.
- 6.2 The Link Bank shall also be designated as the Paying Branch for pensioners in Thimphu. The NPPF will maintain a Pension Distribution Account with Bank of Bhutan, Thimphu to be operated specifically for distribution of Pension to the Pensioners in Thimphu.
- 6.3 On receipt of specific transfer advice from the NPPF by 30th of every preceding month of payment, the Link Bank shall transfer funds from the

“Main Pension Account” to the Pension Distribution Account of Branches by telephonic transfers (T.T).

- 6.4 Link Bank to ensure that the amount transferred by TT is immediately credited to Pension Distribution A/c of corresponding Branch of the Bank.
- 6.5 TT charges may be debited to our Main Pension Account **at the rate already negotiated between the NPPF and the Bank** under advice to NPPF.
- 6.6 BOB, Thimphu should forward the monthly bank statements of Pension Distribution Account on 16th of every month for updating and reconciliation at the NPPF office.

7. Duties and obligations of Paying Bank Branches

- 7.1 The respective paying Branches shall open a special pension savings account in the name of the pensioners upon presentation of the Claims Form and the requisite NPPF recommendation and reference by the pensioner (Form AF -II, AF-III, AF-IV, AF-V &AF-VI).
- 7.2 The account shall be titled “Pension Savings Account – Mr. X.”
- 7.3 The account shall be opened as per standard banking practice applied for opening of any savings account. Since the signature of the beneficiary will be verified/introduced by NPPF in Form AF-III, Bank will not insist for separate introduction.
- 7.4 The paying banks shall maintain separate ledgers for Pension Savings Accounts
- 7.5 The paying banks shall provide separate pension savings account numbers for pensioners running serially from 1 onwards.
- 7.6 After the Pension Savings Account has been opened, the Bank shall issue a Passbook.
- 7.7 After the Pension Savings Account has been opened, the paying branches shall advise the account numbers to the NPPF (Form AF-VI).
- 7.8 This account shall be solely operated for transactions related to pension benefits and should be separated from the operation of other accounts maintained with the Bank. No other deposits, besides the pension benefits shall be permitted in the pension savings account.
- 7.9 This account shall be operated as a single account only. Joint accounts and operation of accounts with the Power of Attorney are not permitted.
- 7.10 The NPPF shall maintain a Pension Distribution Account with the Paying Branches. The account shall be operated for transfer of pension benefits to the Pension Savings Accounts of members maintained in their branches.

- 7.11 All withdrawals from their account are to be made only through **withdrawal forms**. No cheque facilities shall be permitted for the operation of the Pension Savings Account.
- 7.12 By 2nd of the month of payment, the paying branches will receive funds from Bank of Bhutan, Thimphu by TT for credit to the Pension Distribution Account of the NPPF. Members' accounts will be credited by Bank by 5th of every month. No credit will be affected after 5th.
- 7.13 Once in **January** and the other in **July**, the paying branches will be provided with a Master list of pensioners with the account numbers, names of pensioners, pension ID numbers and the pension amount payable. This will form the basis of affecting transfers to the Pension Savings Account of the Pensioners.
- 7.14 Any addition/deletion to the Master list of pensioner shall be sent to paying branches form time to time.
- 7.15 In case no withdrawals have been made from the pension savings account consecutively for more than 6 months, the bank shall treat the account as dormant and shall inform the case to NPPF immediately. The paying bank branch shall forward a report to the NPPF to reach it by the 10th of the following month. On receipt of the reports, the NPPF shall immediately carry out enquires and verification on the status of the pensioner.
- 7.16 On 16th of every month, the paying branches shall send the statement of Pension Distribution Account to the NPPF containing the details of pensioners' account numbers, date and the amounts paid.
- 7.17 Since the accounts of the beneficiaries will be a special savings account, applicable interest on savings account shall be paid on such accounts.
- 7.18 The life and Non-Remarriage certificates will be sent to the NPPF through the paying branches once every April. For their record, the paying branches shall keep a copy of the life and Non-Remarriage certificates of the pensioners or spouses.
- 7.19 On death of a member, the NPPF shall inform the paying banks to invoke lien on the deceased Pension Savings Account and stop any withdrawals from the account till it receives further instruction from the NPPF.
- 7.20 In case the Bank receives any information on death of a member, they will immediately advise the information to the NPPF.
- 7.21 The NPPF shall carry out periodical inspection of the Pension Savings Accounts of the pensioners from time to time. The Paying Bank Managers shall co-operate and the records including other documents shall be made available for inspection to the NPPF and its officials.

8. Duties and obligations of the National Pension & Provident Fund

- 8.1 The NPPF should provide copies of claim forms to all agencies for processing benefits.

- 8.2 An acknowledgement receipt Form AF-I will be issued by the NPPF on receipt of the Claims form.
- 8.3 The Claims form will be stamped with a registration/transaction Number & date on acknowledgement.
- 8.4 The application form for pension benefit shall be scrutinized at NPPF office and the details verified with the existing records available in the Personal Information System (PIS). If the information is found to be incorrect, the application will be rejected and returned to the applicant for correction.
- 8.5 Other details not available in the PIS shall be updated as per the information provided in the Claims Form.
- 8.6 After verification of the claim, copy of the Claim Form received shall be forwarded to the Bank along with Form AF-III, AF- IV, AF-V & AF-VI by the NPPF to enable the beneficiary to open pension savings account with any **one** of the branches of BOB of his/her choice.
- 8.7 On confirmation of Pension Savings Account numbers of the pensioners from the paying branches (Form AF-VI), the Account Number of the pensioners along with the address of the Bank Branch will be noted in the NPPF system.
- 8.8 After noting the Pension Savings Account Number, the Claims Form shall be put up to the **claims committee** for final approval of the pension benefits.
- 8.9 All claims will be processed immediately after receipt of the Pension Savings Account Numbers from the paying braches of BOB. As required under the Armed Forces Pension and Provident Fund Scheme Rules and Regulations, claims process shall be completed within 30 days from the date of receipt of the Claim.
- 8.10 After completion of claims process, the pensioner will be issued an identity card. At the same time, the NPPF shall inform the pensioner through a letter confirming the arrangement of pension payments.
- 8.11 A list of pensioners and the beneficiaries shall be furnished to the Bank Branches during **January** and **June** of each year. This list will form the basis of making payment to the pensioners by the Bank. NPPF will forward the information on Deletion/Additions to the list from time to time.
- 8.12 By 30th of every preceding month of payment, the NPPF will transfer fund to Main Pension Account at Bank of Bhutan, Thimphu with a Branch wise list of remittance to be attached. Accordingly, the Link Bank will arrange to send the fund to respective branches by TT.
- 8.13 If the NPPF notices non-withdrawal of pension benefits for 3 consecutive months from the Pension Savings Account, immediate enquiry should be launched on the status of the pensioner or the beneficiaries.

- 8.14 In case timely certificate of life and non-remarriages are not received, the NPPF will instruct the BOB branch to withhold the payments of the pension benefits.
- 8.15 On the death of a pensioner or the beneficiaries, the NPPF will workout the arrears or overpayments and pay or recover the same from the Pension Savings Account of the pensioner or the beneficiary invoking the lien over the account.
- 8.16 On the death of the pensioner, the NPPF will make immediate arrangement to facilitate documentation of spousal and children benefits.

9. Supervision and Enforcement

- 9.1 Monitor timely payment to the pensioners by the paying banks.
- 9.2 Ensure timely receipt of reports from the paying Banks.
- 9.3 Ensure timely reconciliation and verification.
- 9.4 Ensure timely receipt of Living and Non-Remarriage Certificates from the paying banks once every April each year.
- 9.5 On receipt of Bank Statement the details shall be entered in the system and the pension payment system shall be updated every month.

10. Procedures for transfer of pension payment from one Branch (bank) to another

- 10.1 If the pensioner would like to change the place of residence, he/she or the beneficiary should apply to NPPF for transfer of pension from one Paying Branch to another place of residence.
- 10.2 The Paying Branch will advise indicating the month up to which pension payment has already been effected. In the following month, the NPPF after affecting necessary changes in its records will make payment of pension through the new Paying Branch concerned under intimation to the pensioner. To avoid the risk of overpayment at the time of transfer, the earlier Paying Branch shall issue the following certificate

“Certified the payment of pension has been made up to the month of.....as per details attached herewith.

11. Arrears or overpayment of pension on the death of a pensioner

- 11.1 On receipt of a death certificate in respect of a deceased pensioner, the NPPF will intimate the Paying bank on the death of a member. The NPPF’s lien on the Pension Savings Account of the deceased will be invoked and further payments from the Pension Savings Account of the member shall be stopped until the clearance of lien on accounts by the NPPF.

- 11.2 On death of a pensioner, the NPPF will work out the amount of arrears due to the deceased or overpayment, if any, made to him. It will take action immediately to recover the overpayment from the deceased's account by invoking the lien on the accounts with the assistance of the paying branch of the pensioner. The paying branch after receiving instructions from the NPPF will enter the date of death of the pensioner and close the account.
- 11.3 Payment of arrears to the spouses/children/orphan of the deceased pensioner will need specific instructions of the NPPF. It will issue the instruction after scrutiny of information regarding the date of pensioner's death, amount of arrears due in respect of the deceased pensioner and particulars of claimant(s).
- 11.4 A new account will be opened by the beneficiary and then the arrear amounts will be transferred to the account of the beneficiary under intimation to the NPPF.

The provision will apply mutatis mutandis to cases where the family pension ceases to be payable either due to death of the family pensioner and his/her re-marriage.

12. Waiver for a Pensioner and the beneficiaries to be present in person to the Bank

- 12.1 In the following cases, it will not be necessary for a pensioner or the beneficiary to be present in person to claim the pension benefits.

1. Disabled 2. Sick 3. Hospitalized 4. Meditation

Operation of Pension Savings Accounts under disability and sickness

- 12.2 Pension withdrawals in the above cases can be permitted on the production of a **Letter of Authorization** duly authenticated by an authorized signatory along with Passbook & Pension ID Card. It is important for the beneficiary to endorse a copy of the letter of authorization to the NPPF.
- 12.3 The Bank shall intimate the NPPF of payments made to such category of members or beneficiaries. Upon receipt of the information, the officials of the NPPF might visit/contact the pensioner's residences/ hospitals for verification.

Instruction for filling the application Form

Form AF-I Acknowledgement Card

Form AF-IIP Application Form for Pension Benefit

Form AF-IID Application Form for Disability Benefit

Form AF-IIS Application Form for Spousal/Children/Dependent Parent Benefit

Form AF-IIO Application Form for Orphan Benefit

Form AF-III Form for opening Pension Savings Account with Bank of Bhutan

Form AF-IV Letter of Lien

Form AF-V Letter of Undertaking

Form AF-VI Confirmation of Pension Savings Account by the Bank of Bhutan

Form AF-VII Life Certificate

