

Commutation of Pension

CCS (Commutation of Pension) Rules, 1981

Main Features:

- ❖ Govt. servant has an option to commute up to **40%** of pension.
- ❖ Commuted value of pension is paid in a **Lump Sum** payment.
- ❖ **No medical examination** is required if the option is exercised **within one year** of retirement.
- ❖ If the option is exercised **after expiry of one year**, he/she will have to undergo **medical examination** by the specified competent authority.
- ❖ Lump sum payable is calculated with reference to the **Commutation Table**.
- ❖ The **monthly pension will stand reduced** by the portion commuted and the commuted portion will be **restored on the expiry of 15 years** from the date of receipt of the commuted value of pension.
- ❖ **Dearness Relief**, however, will continue to be calculated on the basis of the **original pension** (i.e. without reduction of commuted portion).

Calculation of Commuted Value of Pension (CVP):

Commuted Value of Pension (CVP) = Portion of Pension X Commutation Factor X 12

Note: The commutation factor will be with reference to age on next birthday as per the Commutation Factor Table.

Example:

Last Basic Pay at the time of Retirement = Rs. 80,000

Basic for Pension (50% of 80,000) = Rs. 40,000

Percentage of Commutation = 40%

Portion of Pension Commuted (40% of 40,000) = Rs. 16,000

Age on Next Birthday after Retirement = 61 Years

Commutation Factor = 8.194

Commuted Value of Pension = Commuted Portion X Commutation Factor X 12

= 16000 X 8.194 X 12

= **15,73,248**

Date of Retirement = 31/03/2021

Residuary (reduced) Pension = 40,000 - 16,000

= **24,000**

Period of reduced Pension (15 Years) = 01/04/2021 to 31/03/2036

Restoration of Normal Pension = 01/04/2036

Note: Reduced Pension Rs. 24,000 will be paid for 15 years w.e.f. 01/04/2021 to 31/03/2036.

Normal Pension Rs. 40,000 will be started w.e.f. 01/04/2036.

Q.01: Is there any restriction on commutation of pension?

Ans: Govt. servant against whom **departmental** or **judicial** proceedings have been instituted **before the date of his retirement**, or the **pensioner** against whom such proceedings are instituted **after the date of retirement**, **shall not be eligible** to commute a fraction of his provisional pension or pension, **during the pendency of such proceedings**.

Q.02: Whether the family can be given the benefit of 40% commutation if a **pensioner dies before exercising option**?

Ans: **No**, since the commutation does not become absolute in such cases the **benefit cannot be given to the family**.

Q.03: What will be the **effective date** of reduced pension?

Ans: (a) from the date of receipt of the commuted value of pension or at the end of 3 months after issue of authority by the PAO for the payment of commuted value of pension, whichever is earlier.

(b) from the date on which the commuted value of pension is credited by the bank to the applicant's account to which pension is being credited.

(c) if the commuted value is paid in two stages as such the reduction in the amount of pension shall be made from the respective dates of the payment as per (a) or (b) above, as the case may be.

Q.04: Is any authorization for restoration of commuted portion of pension after 15 years required from PAO/CPAO?

Ans: No, Restoration of Commuted portion of Pension after 15 years is to be made **automatically** by bank.

Q.05: From what date is normal pension restored?

Ans: Commuted portion of pension is to be restored **after 15 years** from the date of commutation.

Provided that when the commutation amount was paid on **more than one occasion** on account of upward revision of pension, the respective commuted amount of pension shall be restored on completion of **15 years from the respective date(s)**.

Q.06: What is reduced/residual/residuary pension?

Ans: Reduced/residual/residuary pension is the part of pension which is payable after deducting commuted portion of the pension.

Q.07: What would be the **age to be used for commutation of additional commutable pension** and which factor would be used for such additional commuted value of pension?

Ans: The **age** reckoned for calculation of commuted value of pension **at the time of original application** for commutation of pension will apply for calculation of commutation value of additional commutable pension.

However, as mentioned in the **OM dated 04/08/2016**, the commutation factor in the revised Table of Commutation Value for Pension will be used for the commutation of the additional amount of pension that has become commutable on account of retrospective revision of pay/pension.

Q.08: A person with **D.O.B. on first of month** retires in the previous month. What will be the value to be taken for calculation from commutation table?

Ans: The commutation of pension becomes absolute on the date following the date of his retirement. The commutation value taken

will be [Age on 61st Birthday \(i.e. 8.194\)](#) in the [present commutation table](#), if he has retired on attaining the age of 60 years.

Q.09: Whether a person who has commuted some percentage of his pension, can commute remaining part up to maximum of 40% afterwards (e.g if a person have commuted 20% of his pension on retirement, whether he can commute the remaining 20% of his pension)?

Ans: There is **no provision for second option** for commutation after the first option becomes absolute.