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MADRAS RECORD OFFICE.

Government of Madras.

Revision DEPARTMENT.

G.O. No.	<u>566</u>	Press Mis.
Dated	<u>18.6.</u>	<u>1881.</u>

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GOVERNMENT OF MADRAS.

FINANCIAL DEPARTMENT.

20th May 1881, No. 906.

Local Funds—Pensions and Gratuities.

Read the following papers :—

From L. NEILL, Esq., C.S., Officiating Secretary to the Chief Commissioner, Central Provinces, to the Chief Secretary to Government, dated Nagpur, 25th February 1880, No. 785-34 [Current No. 655].

I am directed to acknowledge your letter, No. 306, dated 13th February 1880, asking for early information regarding the practice prevailing in the Central Provinces as regards the payment of pensions and grant of leave allowances to servants paid from Local or District Funds.

2. In 1868, the Chief Commissioner circulated to all Heads of Departments the Government of India Extract, Financial Resolution, No. 2197, dated 24th April 1868, on the subject of the eligibility to pension of persons employed by Municipalities or on any establishments paid from Local Funds, and directed that, should claims to pensions of this kind exist, provisions to meet the charges should be duly made in the Local Funds Budgets.

3. In a Book Circular, No. 32, dated 9th July 1869, the Chief Commissioner observed that he had decided "that the grant of pensions to servants of Municipalities and Local Funds Establishments shall in no case be obligatory, except when a promise of pension has formed part of the terms of engagement. But Municipalities and Local Fund Committees shall be empowered to recommend grant of pension or gratuity in all cases where such indulgence may seem necessary, having regard to the length and character of the applicant's services, to the state of his circumstances, and to the condition of the fund from which the grant is to be made. Terms more favorable than those do not seem to be necessary to secure the services of suitable candidates for local employment, which has ordinarily the advantage over the regular Government service of allowing the *employé* to serve permanently in or near his home."

4. In 1871, the Government of India circulated for information its letter, No. 3177, dated 31st August 1871, to the Government of Bengal, regarding the grant of pensions to members of establishment paid from Local Funds. A perusal of this letter did not seem to make it necessary to alter or add to the existing instructions; but in circulating it, the Chief Commissioner remarked that he would be prepared to consider the following suggestion of the Government of India :—

"It might even be a matter for the consideration of the Local Government whether, considering the peculiar constitution of Local Funds, it would not be well, especially in the case of such as are of uncertain solvency or stability, to credit to a separate account the capital value of any pension granted. The necessity of providing at once the entire value of a pension, instead of throwing the charge forward upon future years, would perhaps afford a useful check against indiscriminate recommendation by those who have the management of the funds."

5. In cases which have actually come before him, the Chief Commissioner has been guided by the provisions of the Civil Pension Code (Sections 39, 40, &c.), and has decided cases on their merits, and he has also regulated the leave allowances of Local Fund *employés* by the Code rulings.

6. It is hoped that the foregoing information may be that which is wanted by the Government of Madras.

From R. SMEATON, Esq., Junior Secretary to the Government of the North-Western Provinces and Oudh, Financial Department, to the Chief Secretary to Government, dated Allahabad, 2nd March 1880, No. 361 [Current No. 709].

In reply to your letter, No. 305, dated 13th February 1880, I am directed to forward copy of the accompanying printed collection of papers, as per margin, regarding the grant of pensions to persons employed on Local Funds Establishments, and to add that there are no special orders regarding leave.

From W. M. YOUNG, Esq., Secretary to the Government of the Punjab, to the Chief Secretary to Government, dated 1st March 1880, No. 596 [Current No. 710].

In reply to your letter, No. 307, dated 13th current, I am desired to state, for the information of the Government of Madras, that the *employés* of District and Municipal Committees in the Punjab have been held to be not ordinarily entitled to pensions. The arrangements in this respect, and also in regard to the grant of leave, are at the discretion of the Committees, subject to the general control exercised by the Commissioners of fiscal Divisions, and of the Government, over any expenditure incurred by the Committees, viz., to see that expenditure is not of extravagant amount, or for a purpose not legally correct, or otherwise inexpedient and improper.

2. In some cases, the servants of Municipal and District Committees have been allowed to subscribe for provincial pensions, when either the persons, if formerly imperial or provincial servants, have special claims to consideration on their own merits, or when their employment under such Committees and the arrangements consequent thereupon are shown to be in provincial interests. These are very exceptional cases.

From BABOO RAJENDRA NATH MITRA, Assistant Secretary to the Government of Bengal, to the Chief Secretary to Government, dated Calcutta, 4th March 1880, No. 506 [Current No. 740].

I am directed to acknowledge the receipt of your letter, No. 303, dated 13th ultimo, inquiring what is the practice prevailing in Bengal as regards the payment of pensions and grant of leave allowances to servants paid from Local or District Funds.

2. In reply, I am desired to say that the practice in Bengal is regulated by Section 46 of the Civil Pension Code as regards officers lent from the service of Government to bodies financially independent of the Government of India. For the rest I am to say that under Section 39 (as it stood before its last amendment) the grant of pension was entirely discretionary with Government, and as a rule pension seems to have been granted in the cases contemplated by the section.

3. The question, however, of allowing pensions and leave allowances to the *employés* of District Road Funds is at present under discussion in connection with a Bill for amending the District Road Cess Act now pending before the legislature. The existing Act does not empower a Road Committee to give either pension or leave allowances.

4. In the Calcutta Municipality though the Act provides for the grant of pensions, the policy of the Commissioners is generally opposed to such grants, but leave is constantly given on special terms made to suit each case, and pensions and gratuities are sometimes granted.

From J. NUGENT, Esq., Acting Secretary to the Government of Bombay, to the Chief Secretary to Government, dated Bombay Castle, 25th March 1880, No. 1075 [Current No. 955].

With reference to your letter, No. 304, dated 13th ultimo, I am directed to forward the accompanying copy of a memorandum from the Accountant-General, No. L.F.-19466, dated 16th March 1880. Bombay, which contains the information required by the Government of Madras in regard to the payment of pensions and grant of leave allowances to servants paid from Local Funds in this Presidency.

ENCLOSURE No. 1.

No. L.F.-19466.

The undersigned has the honor to state that the payment of pensions and leave allowances to servants paid from Local Funds in this Presidency is governed by the rules applicable to unincorporated servants of Government (*vide* Section 39 of the Civil Pension Code and Section 12 of Civil Leave Code).

2. The pensions of the *employés* in the Public Works and Educational Branches of the Incorporated Local Funds are paid from the Local Fund Pension Fund created in 1870 (*vide* Rules published in the *Bombay Government Gazette* of the 29th September 1870, page 1062); and those of the *employés* of the "Excluded Local Funds" are paid from the Funds concerned, provided they satisfy the conditions laid down in Section 39 of the Civil Pension Code and are solvent.

BOMBAY,
16th March 1880.

(Signed) E. S. BYRNE,
for Accountant-General.

ORDER THEREON, 26th May 1881, No. 906.

In G.O., 18th December 1879, No. 2435, paragraph 4, the Government remarked as follows on the subject of pensions to Local Fund *employés* on the Engineer Establishment: "As regards pensions it must be assumed that a pension under Government rules is a part of the condition of Local Fund Service in all its branches; but how such pensions shall be charged, and how such charges shall be provided for, is a distinct and complex question." The Government resolved to direct the Board of Revenue to take the entire question of Local Fund pensions into early consideration, and to report thereon in communication with the Accountant-General.

2. Subsequently the Government received the Proceedings of the Board, dated 19th December 1879, No. 3359, embodied in G.O., 13th February 1880, No. 309, on the subject of the Engineer pensions only. In the scheme received from different Local Fund Circles for the organization of Local Fund Engineering Establishments the question of pensions had been differently treated, some Local Fund Boards being disposed to give pensions, others none, while many were altogether silent on the point. The Board of Revenue considered that the absence of a definite understanding would seriously hamper negotiations for the entertainment of Engineer Officers, &c., and they proceeded to submit their views to Government and requested the issue of early orders.

3. It had been resolved in 1874 (G.O., 13th March 1874, No. 431) after full consideration and a reference to all Local Fund Boards that pensions should be allowed to all officers of such Public Works Establishments as were then entertained by Local Fund Boards, and the Board observed that the principle of this decision was unaffected by the fact that these establishments were now to be increased. Doubts, they said, were expressed in some cases as to whether Local Funds would be able to bear the charge; but as the grant of pensions at all was defensible only on the assumption that it conduced to greater efficiency, and therefore to greater economy in the long run, and as the propriety of granting pensions to public servants was a recognised principle which the Board did not desire to assail, they were of opinion that any strain there might be on the funds of any particular Circle should be relieved rather

by reducing salaries than by withholding pensions, and they therefore recommended that it be notified at once to all Presidents of Local Fund Boards that the provisions of the Pension Code would be applicable to the establishments now proposed to be entertained for the execution of Local Fund Works.

4. The Board recommended that it might be generally intimated with regard to the sanction accorded to the various schemes, (1) that the Government would not object to any reductions within 20 per cent. of the sanctioned amounts of salaries, and (2) that a reduction must be made in all cases in which the sanctioned scales, plus 25 per cent. of the salaries of pensionable officers exceeded the average amount paid for Public Works Establishment during the last three years, or in the case of famine districts the three years last preceding the famine. The Board fixed upon 20 per cent. of the gross salary, or 25 per cent. of the net salary, that being the amount prescribed by Government as the contribution payable on account of pensionary and leave allowances by officers of Government on foreign service. The increased liability for pensionary and leave allowances rendering it a matter of great importance that the charges should be equally distributed, the Board considered that it would be necessary to modify the rules laid down in Financial G.O., 25th June 1874, No. 1068, and to direct instead that 25 per cent. of all salaries paid to officers entitled to leave and pensionary allowances be paid annually by each Local Fund Board into a Local Pension and Leave Fund from which all pension and leave charges should be met. As the amounts thus set aside were in fact a portion of the emoluments of the officers, the Board did not think there could be any legal objection to the arrangement.

5. These Proceedings of the Board of Revenue were referred to the Accountant-General for his remarks.

6. That officer (letter embodied in G.O., No. 309) reported that if it be determined that pensions should be granted at all to the members of the establishment to be entertained for the execution of Local Fund Public Works, he thought it desirable that such officers should be made to understand clearly that their claims to pensions and leave allowances would be entirely dependent on the solvency of the local Pension and Leave Funds; but he understood that in Lower Bengal, where the system of administering Local Funds and of carrying out Local Fund Works by Engineers in the sole employ of the funds prevails, it had been resolved to grant no pensions at all. In view of the great liabilities which these funds, already exposed to heavy and increasing demands, would incur by accepting pensionary obligations, the Accountant-General strongly recommended that no pensions should be granted. Besides the actual payments for pensions there would, he said, be a large cost for the Account Establishment which would be necessary to maintain the accounts and registers, in addition to an extra gazetted officer whom it would be necessary to attach to his office, to be paid from Local Funds whose sole duty it would be to deal with Local Fund questions in connection with pensionary and leave allowances. The Accountant-General concluded by remarking, as regards the contention of the Board that pensions admittedly conduce to efficiency and are therefore economical, that provisions which are very fit and proper for the officials of a great empire whose pay and pensions it may be the truest economy to regulate on liberal principles, may be entirely unsuitable for the *employés* of a Local Fund the sources of whose income are very limited, and whose assets it would be impossible to increase were the pension rules to demand it ever so urgently. It would be impossible, he thought, to grant the pensions under any rules other than those now laid down in the Pension Code, and these would lay on the Local Funds a burden heavier than they can bear.

7. The Government reserved their orders on these papers pending the submission of the report on the general question of Local Fund pensions called for from the Board in paragraph 4 of G.O., dated 18th December 1879, No. 2435, quoted above.

8. Meanwhile references were made (13th February 1880, Nos. 303—307) to the Governments of Bengal, Bombay, North-Western Provinces, Central Provinces, and Punjab for information as to what was the practice prevailing in those provinces as regards the payment of pension and grant of leave allowances to servants paid from Local or District Funds.

9. After a full consideration of the whole subject, and having had the advantage of learning what is done under other Local Governments, the Governor in Council resolves to rule that service under Local Fund Boards, constituted under Madras Act IV of 1871, shall not entitle to pension from such funds. The Government will, however, be prepared to consider on their merits applications from such Boards for sanction to gratuities on retirement in individual cases of long and good service, the decision on such applications being ordinarily guided by the principles and limitations of the Financial Codes relating to gratuities from State Funds to Government servants.

(True Extract.)

R. DAVIDSON,
Chief Secretary.

(True copy)

*As per Davidson's copy
of letter to Secy of P.W.
for off. Chief Secy*

To the Board of Revenue.
" Accountant-General.

Pension Dept

Exd. J. Wright.

London 1881 100/1

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Govt. of (1881) Madras.

FINANCIAL.

To

THE BOARD OF REVENUE,

&c.

&c.

&c.

Dated May, 20th.

Issued

Recd. 10-6-81

Encl.

G.O., 20th May 1881, No. 906.

MAY.

Local Funds—Pensions and Gratuities.—Ruled that service under Local Fund Boards, constituted under Madras Act IV of 1871, shall not entitle to pension from such funds. The Board of Revenue informed that Government will, however, be prepared to consider on their merits applications from such Boards for sanction to gratuities on retirement in individual cases of long and good service.

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Order this on 10 June 1881 566

Received

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