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punjab national bank

PF and Pension Division

Corporate Office Plot no.04 , Sector 10 Dwarka

New delhi 110075

Date: 09.10.2025

NOTICE

DIGITAL BOOKLET - “PNB RETIREES’ HANDBOOK- A GUIDE FOR OUR RETIRED FAMILY.”

Respected Staff Pensioners,

A comprehensive handbook titled **“PNB Retirees’ Handbook – A Guide for Our Retired Family”** is compiled to provide general information and guidance to our esteemed retired employees.

Please note that this handbook is intended solely for information purpose. It does not substitute for the official guidelines or circular issued by the bank. All retirees are requested to continue referring to the Bank’s official circulars, notifications and communications for guidelines or circular updates.

We trust that this handbook will serve as a useful reference and support tool for our retired community, helping to address common queries and provide clarity on various matters.

The handbook is enclosed herewith for your kind perusal. For any questions or clarifications, please feel free to contact the **HO: PF & Pension Division**.

pnb one
#JustOneApp

(Saurabh Bhatia)
Divisional Head

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PNB RETIREES'

HANDBOOK

A GUIDE FOR OUR

RETIRED FAMILY

Disclaimer: This digital booklet is intended for information purpose only. It should not be considered a substitute for official bank guidelines or circulars. For complete and up-to-date details, please refer to the bank's official circulars.

Compiled by: HO PF & Pension Division, Punjab National Bank

ELIGIBILITY FOR PENSION

To qualify for pension benefits, employees must meet the following criteria:

1. Pension Option

- The employee **must be a Pension Optee**, i.e. must have opted for the pension scheme.

2. Minimum Qualifying Service

- **Superannuation Pension:** Requires a **minimum of 10 years** of qualifying service, on attaining the age of sixty years only.
- **Voluntary Retirement Scheme (VRS):** Requires a **minimum of 20 years** of qualifying service.

3. Full Pension Entitlement

- Full pension is granted upon completion of **33 years of qualifying service**.

4. Pro-Rata Pension

- If the qualifying service is **less than 33 years**, pension is calculated on a **pro-rata basis**, proportionate to the actual years of service completed.

PENSION CALCULATION

The **Basic Pension** is calculated using the following formula:

Basic Pension is calculated = $\frac{\text{Average of Last 10 months pay} \times \text{qualifying Service}}{2 \times 33}$

Note: Maximum qualifying service considered for full pension is **33 years**.

Example Calculation:

If the **average of last 10 months' pay** is **₹90,000**, and the **qualifying service** is **33 years**, then:

Basic Pension = $(90,000 \times 33) / (2 \times 33) = 90000 / 2 = ₹ 45,000$

COMMUTATION OF PENSION

Commutation is the option available to a retiring employee to receive a lump sum amount in lieu of a portion of their monthly pension. This is a one-time benefit and helps in meeting immediate financial needs post-retirement.

Commuted Basic Pension

An employee can commute up to one-third (1/3) of their basic pension. This commuted portion is deducted from the monthly pension and paid as a lump sum. Importantly, the full basic pension is restored after 15 years from the date of commutation.

Example Calculation

Let's understand with an example:

- Basic Pension: ₹45,000
- Commuted Portion: $₹45,000 \div 3 = ₹15,000$
- Commutation Factor: 9.81 (based on age 61 at next birthday)
- Commuted Value = $₹15,000 \times 9.81 \times 12 = ₹17,65,800$

Note: The commutation factor depends upon the age of employee. In case of superannuation, it is taken as 9.81 (being the age at next birthday i.e. 61 years). This commutation factor is fixed based on the age.

Post-Commutation Pension

After commutation, the monthly pension becomes:

- $₹45,000 - ₹15,000 = ₹30,000$

This reduced pension continues for 15 years, after which the full pension of ₹45,000 is restored.

Key Points to Remember: -

- Commutation is optional and can be exercised only once.
- The commuted amount is tax-free.
- Restoration of full pension happens automatically after 15 years.

UNDERSTANDING GROSS PENSION & DEARNESS RELIEF (DR)

What is Dearness Relief (DR)?

Dearness Relief (DR) is a cost-of-living adjustment allowance paid to pensioners to offset inflation. It is similar to Dearness Allowance (DA) given to active employees but differs in its revision schedule.

Revision Frequency

- **For Pensioners:** DR is revised **twice a year** — in **February** and **August**.

How is DR Calculated?

DR for pensioners is calculated on the **full basic pension** (i.e. before commutation).

Formula: $DR = (\text{Basic Pension} \times \text{DR Rate}) / 100$

- Basic Pension: ₹45,000
- DR Rate: 21.13 %

$$DR = (\text{₹}45,000 \times 21.13) / 100 = \text{₹ } 9,509$$

Gross Pension includes DR amount and Basic Pension after Commutation

Example:

- DR: ₹9509
- Basic after Commutation: ₹30,000

$$\text{Gross Pension will be} = \text{₹}9,509 + \text{₹}30,000 = \text{₹}39,509$$

GROSS PENSION CALCULATION SUMMARY

Sr No	Particulars	Amount
01	Average Pay	₹ 90,000
02	Basic Pension before comm	₹ 45,000
03	Commuted Basic	₹ 15,000
04	Basic after commutation	₹ 30,000
05	Dearness Relief	₹ 9,509
06	Gross Pension	₹ 39,509
07	Commutation Factor	9.81
08	Commutation Amount	₹ 17,65,800

COMPONENTS FOR PENSION CALCULATION

FOR OFFICERS

When calculating the pension of an officer, the following components are taken into consideration for calculation of pension

- ☐ **Basic pay including stagnation if any**
- ☐ **FPA - Fixed Pay Allowance**
- ☐ **PQP - Professional Qualification Pay**
- ☐ **Officiating Pay**

FOR WORKMEN

When calculating the pension of workmen, the following components are taken into consideration for calculation of pension

- ☐ **Basic pay including stagnation if any**
- ☐ **FPA - Fixed Pay Allowance**
- ☐ **PQP - Professional Qualification Pay**
- ☐ **Officiating Pay**
- ☐ **Special Pay**

Note: No DA is being paid on officiating while calculation of pension in case of officer.

THINGS TO DO POST RETIREMENT

- Monthly pension will be credited on the last day of the month in pension account.
- Pension Payment Order (PPO) is available at any branch of PNB and through Self Login of Retirees.
- Post retirement, retirees will have the access of HRMS. However, they have to get their password reset from their retiree branch / retiree circle.
- Pensioner can view their Pension IT register and pension slip (month wise) in HRMS.
- Life certificate is to be submitted in the month of November.
- Investment can be submitted from Pension Paying Branch only or through Self-Service in HRMS.

FREQUENTLY ASKED QUESTIONS (FAQs)

Q1. Whether broken period of service is counted for calculation of pension?

- A.** Yes, broken period of service more than 6 months is to be treated as 1 year of service whereas less than 6 months of broken period of service is to be ignored.

Q2. Who all are eligible for benefit under Regulation 26 of PNB Employees' Pension Regulations 1995?

- A.** The following employees are eligible for benefit under Regulation 26: -
- Employees who joined as specialist officer in Bank.
 - Retired from Banks service on superannuation only.
 - Candidates at the time of recruitment exceeds the upper age limit specified for direct recruitment.

Q3. What is the maximum benefit an eligible employee can get under Regulation 26 of PNB Employees' Pension Regulations 1995 ?

- A.** An employee shall be eligible to get the benefit of additional notional service qualifying for superannuation Pension. The benefit shall be lower of the below mentioned 03 criteria's: -
- the actual period not exceeding one fourth of the length of his service.
 - or the actual period by which his age at the time of recruitment exceeded the upper age limit specified by the Bank for direct recruitment.
 - or a period of five years, whichever is less.

Q4. Is there any provision for updation / enhancement of Pension after attaining the age of 80 years or more, as applicable in Central Government Pension Scheme?

- A.** In terms of PNB Pension Employees Regulations 1995, there is no such provision for updation /enhancement of Pension after attaining the age of 80 years or more.

Q5. What is the additional ex gratia to be paid to pre 01.11.2002 retirees?

- A.** Rs.800.00 and Rs.450.00 per month as ex-gratia amount, as a standalone benefit, which will not attract any DR, to pensioners / family pensioners falling under 1st slab of basic pension and drawing highest DR, and 2nd slab of basic pension attracting second highest DR in the present framework, respectively.

Q6. If an employee has not commuted a fraction of his/her Pension at the time of retirement. Can he/she avails the benefit after expiry of certain period post my retirement?

- A.** Yes, commutation can be availed once in a lifetime irrespective of date of retirement. However, if the application for commutation is made after one year from the date of retirement, the same will be permitted subject to medical examination. Further, the commutation factor will be arrived from the date of medical certificate.

Q7. What is the procedure for Commutation of Pension?

- A.** Commutation of Pension should not be recommended unless requested for by the Pensioner. Request for commutation of Pension should be submitted in original post-retirement / or in HRMS while in service. In case the request for commutation is received after one year from the date of retirement, it should be accompanied by Medical Certificate from the Bank's approved Medical Officer on the proforma circulated vide Personnel Division Circular No. 1520 dated 15.11.1995. In VRS cases, employee shall be eligible for commutation after 3 months from the date of notice. Commutation is allowed only once.

Q8. Whether Pension can be commuted in case of compulsory retirement and invalid Pension?

- A.** Yes, in case of compulsory retirement and invalid Pension, the request for commutation has to be accompanied by a medical certificate by Bank's approved Medical Officer on Bank's prescribed proforma circulated vide PD Circular No.1520 dated 15.11.1995.

However, before making payment in case of CRS Pension, it should be ensured that **all staff loans are either closed or converted into public scheme.**

Q9. What will be the commutation factor in case of an employee superannuating on the last day of the month whereas his 60th birthday, falls on 1st day of the succeeding month?

- A.** As per terms of Pension Regulation 41, commutation is absolute on the date, following the date of retirement. Accordingly, commutation is payable on 1st date of the following month. For the cases, where Date of Birth is 1st day of the month, on first date after retirement, their age on next birthday is 61 years. Hence commutation factor of 9.81 is to be taken for calculation of commutation.

Q10. In which account commutation amount / arrear of first Pension is credited?

- A.** The commutation amount / arrear of first Pension is credited in **the Sundry Account-Staff Related of Pension paying Branch.**

Q11. When is commuted Pension restored?

- A. Commuted Pension is automatically restored after 15 years from the date of commutation.

Q12. Whether commutation can be recovered from Family Pensioner in case Pensioner expires before completion of 15 years from the date of availing commutation?

- A. No, commutation is not recoverable from family Pensioner in case Pensioner expires before completion of 15 years from the date of availing commutation.

Q13. Whether commutation paid on retirement is Taxable?

- A. No, commutation paid on retirement is exempted from Tax.

Q14. When should we submit Life certificate?

- A. Every Pensioner is required to submit annual life certificate in the month of November for continuation of Pension. In case of super senior citizen (who are 80 years and above) Life certificate can be submitted in the month of October. The validity of life Certificate is one year i.e. till October month of the next year.

Q15. What are the different modes available for submission of life certificate?

- A. Life certificate may be submitted by any of the following modes (Online/Offline):

Offline Mode: -

Life Certificate can be submitted physically at any Branch on Bank's Prescribed Proforma PNB-1237.

Online Modes: -

(i) In HRMS through PNB PARIVAR (only for Self Pensioners) Pensioners can log in to HRMS with existing credential and submit the undertaking that "I am alive" through following navigation:

Self Service → Pension Management → Life Certificate Submission → Add a new Value

(ii) Through JEEVAN PRAMAAN PORTAL- Pensioners can submit Life Certificate online through Jeevan Parman Portal.

(iii) Availing the facility of DOOR STEP BANKING- Door Step Banking Agent shall visit the doorstep of Pensioner to render the service. Service can be booked by the Pensioner through any of the 3 channels i.e. Mobile App, Website or Toll-Free Number.

Q16. Whether details can be changed / updated in respect of Personal Information of Pensioner, post-retirement?

A. Yes, personal information may be changed/updated as under: -

S.N.	TYPES OF AMENDMENTS	CONCERNED OFFICE
1	Correction in the Name of Self Pensioner	Request to be submitted at Circle Office through the Branch/Office, from where Pensioner had retired along with requisite documents. Circle Office after verifying the same will send the documents along with recommendations to concerned department of HO HRD .
2	Change or Updation of Address / Mobile / Landline Phone Number/ Email of Pensioner	Through Pension paying branch/ respective Circle Office. HRMS Navigation: - Manager Self Service-> Pension Management->Pensioner Information
3	Updation of PAN /Aadhaar Number of the Pensioner / Family Pensioner	Through Pension paying branch/ respective Circle Office. HRMS Navigation: - Manager Self Service-> Pension Management->Pensioner Information
4	Correction in the Name / Date of Birth of Spouse	Request to be submitted at Circle Office through the Branch/Office, from where Pensioner had retired along with requisite documents. Circle Office after verifying the same will update the dependent details in HRMS. After the record is updated in HRMS by the retiree Circle Office, PPO is amended at HO:PF & Pension Fund Division.
5	Change in Pension Paying Branch	Circle Office of the concerned Pension paying branch, from where the Pensioner is currently drawing his/her Pension to update the details in HRMS after transferring the Pension account in CBS. Navigation - Manager Self Service-> Pension Management->Pension Disbursement Branch

Q17. For a Pensioner, within which time the permission is required for acceptance of any commercial employment?

A. A Pensioner, who immediately before his/her retirement was holding post of an officer and wishes to accept any commercial employment before expiry of **one year** from the date of his/her retirement, shall obtain the previous sanction of the Bank to such acceptance.

Q18. Who can Generate Pension Payment Order (PPO)?

- A.** Pension Payment Order (PPO) can be generated from any branch or through Self Login of retirees in HRMS. No hard copy of PPO is issued and dispatched by PF & Pension Division w.e.f. 01.01.2022.

Q19. Is there any procedure to get Pension paid certificate from a branch for a particular FY?

- A.** Yes. Pension certificate can be generated from your Pension paying branch in HRMS for the FY using the following navigation:-

Manager Self Service → Pension Management → Pension IT Register → Select Financial Year → Print Pension Paid Certificate.

Q20. Is there any procedure or platform for redressal of grievance of Pensioners?

- A.** Yes. A dedicated portal PNB SAATHI is available for staff Pensioners for redressal of their grievances. Through this **online** portal, retiree can login using their user ID and Password and can register grievances for any issue. An SMS on registered mobile containing the complaint no. and its status will be sent to retirees as acknowledgment. Further, grievances can also be sent at **retireehelpdesk@pnb.co.in**.

Q21. What is the procedure to add the name of mentally / physically challenged dependent child in PPO?

- A.** Pensioner shall send a representation along with Disability certificate to their Pension Paying Branch / Circle Office for adding the name of the child in PPO. Pension Division on receipt of such request, shall add the name of the child in PPO in column "*Details of Differently Abled Child*".

Note: (i) Where the child is suffering from any mental disorder, pensioners are requested to appoint a legal guardian during their lifetime to avoid unnecessary delay in sanction of Family Pension after their demise.

(ii) Merely adding the name of the differently abled child in PPO doesn't make him/her eligible for Family Pension.

FAMILY PENSION

Q22. When does Family Pension start?

- A.** Family Pension shall become payable from the date following the date of death of the employee or the staff pensioner.

Q23. Who is eligible for grant of family pension?

- A.** The family of the deceased shall be entitled to family pension. Definition of Family for this purpose is: -
- (i) wife in the case of a male employee or husband in the case of a female employee,
 - (ii) a judicially separated wife or husband, such separation not being granted on the ground of adultery and the person surviving was not held guilty of committing adultery,
 - (iii) son or daughter including widow or divorced daughter till he or she attains the age of twenty-five years or upto his or her marriage or re-marriage, whichever is earlier including such son or daughter adopted legally,
 - (iv) parents who were wholly dependent on the employee when he/she was alive, provided the deceased employee had left behind neither a widow/widower nor a child.

Q24. When does the family of the deceased become eligible for grant of family Pension?

- A.** The family of the deceased shall become eligible for family pension where an employee dies:
- (i) After completion of minimum one year of continuous service or
 - (ii) Before completion of one year of continuous service provided the deceased employee concerned immediately prior to his appointment to the service or post was examined by a Medical Officer approved by the Bank and declared fit for employment in the Bank
 - (iii) After retirement from service and was in receipt of Pension or compassionate allowance on the date of death.

Q25. What is the period of payment of family Pension?

- A.** The period for which family pension is payable shall be :-
- (i) in case of a widow or a widower, up to the date of death or re-marriage, whichever is earlier.
 - (ii) son or daughter (including widow/divorced daughter) till he/she attains the age of twenty-five years or up to the date of his/her marriage/remarriage whichever is earlier including such son or daughter adopted legally.

(iii) Son or daughter (including widowed or divorced) shall be discontinued or not be admissible when the eligible son or daughter starts earning a sum in excess of rupees eighteen thousand per month from employment in Government or private sector or self-employment.

If the son or daughter of an employee is suffering from any disorder or disability of mind or is physically crippled or disabled so as to render him or her unable to earn a living even after attaining the age of twenty-five years, the family Pension shall be payable to such son or daughter for life subject to conditions stipulated in PNB Employees Pension Regulation 1995.

Q26. Which office should the family of the deceased employee/pensioner approach, for start of family pension?

- A.** To intimate about the death of the pensioner/employee and initiation of family pension, the family member should visit:-
- The pension paying branch of the pensioner as indicated in the PPO, in case of death after service.
 - The branch/office where the employee was posted, in case of death in service.

Q27. What are the documents required for Family Pension?

- A.** The following documents are required as mentioned PF & Pension Fund Circular No 05/2022 dated 15.03.2022:

(i) Family Pension application form

(ii) Annexure-14 Letter of undertaking

(iii) A copy of the death certificate attested by the branch or the circle office, mentioning the GBPA/PF No. of the person who has attested it.

Important: The dealing official at the BO should ensure that the name on the death certificate matches with the name of the Pensioner in HRMS/old Pension records.

(iv) The ID form of the family Pensioner, with photograph, thumb impression (specifying on the form that RTI has been obtained) and signature of the family Pensioner duly attested by the incumbent under his/her signature, seal and GBPA should be uploaded in HRMS.

(v) ID Proof of the family Pensioner (Aadhar Card/ Voter I Card/Passport) should be verified/attested by the Incumbent In Charge or the dealing officer with his/her GBPA/PF no. and seal of the branch

Note: The dealing official at the BO should check the correctness of name and date of birth of the family Pensioner in HRMS dependent details.

Any changes in the dependent details will be carried out at the circle from where the staff Pensioner had retired.

(vi) In case the family Pension is to be settled in favour of son/daughter the following documents are required-

- Proof of date of birth
- Death certificate of spouse of Pensioner.

- Affidavit that he/she is unemployed and unmarried. The sanctioning authority is also requested to provide a confirmation regarding the same.
- If he/she is pursuing studies, a bonafide certificate from college/school where he/she is studying, duly signed by the principal. The family Pension to son/ daughter is payable up to 25 years of age/ starting earning / marriage (remarriage in case of divorced daughter) whichever is earlier.
- If the son or daughter of an employee is suffering from any disorder or disability of mind or is physically crippled or disabled so as to render him or her unable to earn a living even after attaining the age of twenty-five years, the family Pension shall be payable to such son or daughter for life subject to the conditions, stipulated in PNB Employees Pension Regulations 1995. The certificate to this effect is to be submitted at the time of sanction of Family Pension and after that every 3 years in Pension paying branch.

(vii) Life certificate (certificate of non-remarriage/re-marriage) signed by the family Pensioner.

(viii) Self operated Savings Account of the family Pensioner. In case of minor child, child with mental disorder/disability, account under guardianship is required.

(ix) Legal guardian certificate in case the applicant is having mental disability.

Q28. Whether Death Certificate is required in case of Family Pension?

- A. Yes, Death Certificate must be submitted along with Family Pension Proposal in original or copy duly attested by the recommending authority.

Q29. Is there any income criteria to receive Family Pension by the Family Member (other than spouse)?

- A. Yes, If the income of son / daughter / wholly dependent parents, exceeds Rs.18000/- per month, they will not be eligible to receive family Pension.

Q30. What is the amount of Family Pension payable?

- A. As per Department of Financial Services, Govt. of India guidelines and approval of our Bank's Board, w.e.f. 01.04.2021, the family Pension is calculated as under:

(i) Amount of Family Pension at ordinary rates - **30% of the pay last drawn.**

(ii) Amount of Family Pension at enhanced rates - **50% of the pay last drawn** or twice the family Pension admissible under point (i) whichever is less.

The amount so admissible shall be payable from the date following the date of death of the employee for a period of seven years or for a period up to the date on which deceased employee would have attained the age of 65 years.

In no case the amount of family pension determined under point (ii) shall exceed the pension authorised to the employee on his retirement.

If the Pension authorised to the employee on retirement is less than the amount of family Pension at the ordinary rates, then the family shall be allowed Pension at ordinary rates.

In case, normal rate of family pension is below the minimum rate of family pension as prescribed during various settlements, then minimum amount of family pension is to be paid.

Q31. Is family Pension payable to a spouse who is judicially separated?

- A.** Where a female employee or male employee dies leaving behind a judicially separated husband or widow and no child or children, the family Pension in respect of the deceased shall be payable to the person surviving;

Provided that where in a case the judicial separation is granted on the ground of adultery and the death of the employee takes place during the period of such judicial separation, the family Pension shall not be payable to the person surviving if such person surviving was held guilty of committing adultery.

(i) Where a female employee or male employee dies leaving behind a judicially separated husband or widow with a child or children, the family Pension payable in respect of the deceased shall be payable to the surviving person provided he or she is the guardian of such child or children;

(ii) Where the surviving person has ceased to be the guardian of such child or children, such family Pension shall be payable to the person who is the actual guardian of such child or children.

Q32. What if there is no claimant for family Pension?

- A.** In case there is no claimant for family Pension, the same should be marked in HRMS.

Q 33. Whether Life Certificate / Re-Marriage / Non-Employment Certificate is to be given by the Family Pensioner?

- A.** Yes, Life Certificate can be submitted physically at the Branch or through Jeevan Pramaan or by availing the facility of Doorstep Banking.

Q34. Whether monthly pension paid to the Pensioners / Family Pensioners after death is to be refunded to the Bank?

- A.** Yes. It is obligatory to the Family Pensioners and Family Members of the Pensioners / Family Pensioners to inform to the Pension Paying Branch immediately about the demise of Pensioners / Family Pensioners and to refund the excess amount of the pension credited in the Pension Account.

GRATUITY

Gratuity is the amount paid by an employer by way of gratitude to the employee for the services rendered by him/her during the period of employment.

Payment of Gratuity is governed by

- (i) The Payment of Gratuity Act, 1972 (for both workmen and officer)
- (ii) Provisions of The Shastry Award (as amended till date) / Bipartite Settlement (BPS)
- (iii) PNB (Officers') Service Regulations, 1979 (OSR)

Q35. Who is eligible for payment of Gratuity?

- A.** All employees irrespective of their scale/cadre are eligible for payment of Gratuity subject to fulfillment of minimum service requirement and other guidelines pertaining to Act or Award/OSR.

Q36. What is the minimum service required to become eligible for payment of Gratuity?

- A.** For the purpose of payment of Gratuity, the length of service shall be calculated as the total period from the day of initial appointment (on scale wages or otherwise) in the bank to the day of cessation from the bank's service.

(i) Under the Gratuity Act: Minimum continuous service of not less than 5 years is required so as to entitle an employee for Gratuity except where the termination of employment of any employee is due to death or disablement.

(ii) Under Award/BPS: A minimum period of 10 completed years of service is required so as to entitle a workman to Gratuity under the Award, except in case of death, disablement or termination of employment including retirement after attaining the superannuation age.

(iii) Under OSR: Every officer shall be eligible for Gratuity on:

- (a)** Retirement
- (b)** Death
- (c)** Discharge on ground of disablement rendering him unfit for further service, as certified by a medical officer approved by the Bank,
- (d)** Resignation after completing ten years of continuous service.
- (e)** Termination of service, subject to the condition that the officer has put in 10 years of service with the bank and provided that the termination is not by way of dismissal or removal from service as punishment.

Q37. Is fraction of service beyond completed years of service taken into account while calculating Gratuity?

A.

(i) Under the provisions of Gratuity act, if the fraction of service beyond completed years is more than six months but less than 1 year, the same be taken as completed years for calculating Gratuity.

(ii) Under the provisions of Award/Settlement, if the fraction of service beyond completed years of service is more than six months but less than 1 year, Gratuity will be paid pro-rata for the purpose. The number of days beyond 6 months is also taken into account.

(iii) OSR: - If the fraction of service beyond completed years of service is 6 months or more, gratuity will be paid prorata. It's clarified that for the purpose of calculating gratuity, the number of days beyond 6 months period is also to be taken into account

Q38. Which components of wages/pay are considered for calculation of Gratuity?

A.

Components of wages/pay	The Payment of Gratuity Act, 1972	Provisions of the Shastry Award /Bipartite Settlement (BPS)	PNB (Officers') Service Regulation, 1979
Basic pay	✓	✓	✓
Dearness Allowance	✓	X	X
Special Allowance*	✓	✓	X
Personal Qualification Pay	✓	✓	✓
Fixed Personal pay (only basic component ranking for PF)	✓	✓	✓
Officiating allowance (only basic component ranking for PF)	✓	✓	✓

* Applicable in case of workman only.

Any Bonus, HRA, CCA, Honorarium, Overtime and any other allowance including Conveyance Allowance etc. are not to be included while calculating Gratuity.

Q39. What is the quantum of Gratuity payable to an employee?

A. (i) **Under the Gratuity Act:** 15 days wages based on the rate of wages last drawn for each completed year of service or part thereof in excess of 6 months.

Note: Daily wages should be ascertained by dividing the monthly wages by 26 working days and not by 30 working days for the purpose of computing 15 days wages payable as Gratuity.

(ii) Award/Bipartite: One month's pay for each completed year of service subject to a maximum of 15 months' pay up to 30 years of service and additional Gratuity at the rate of half month's pay/ one-half of a month's pay for each completed year of service beyond 30 years.

The "Pay" for the purpose of determining Gratuity under the Award shall consist of average of Substantive Salary drawn by the Workmen during 12 months immediately preceding the month of retirement, resignation, death, termination, disablement etc.

(iii) OSR: One month's pay (Based on the rate of wages last drawn) for each completed year of service subject to a maximum of 15 months' pay up to 30 years of service and additional Gratuity at the rate of half month pay/ one-half of a month's pay for each completed year of service beyond 30 years.

The employee is paid higher amount of Gratuity payable under The Gratuity Act or Award/Settlement or OSR.

Q40. What is the maximum amount of Gratuity payable to an employee?

A.

(i) Under Gratuity Act:

Date of Cessation - From	Date of Cessation - To	Maximum amount payable
29.03.2018	Till Date	20.00 Lakhs
24.05.2010	28.03.2018	10.00 Lakhs
24.09.1997	23.05.2010	3.50 Lakhs
24.05.1994	23.09.1997	1.0 Lakh

(ii) Under OSR/Award: No ceiling on maximum amount, subject to TDS

LEAVE ENCASHMENT

Employees are entitled to accumulate Privileged Leave (PL) up to a maximum of **270 days**. However, **encashment is permitted up to 255 days** at the time of retirement.

ELIGIBILITY & CALCULATION

- **Emoluments Considered:** All components of salary that are of a **permanent nature** are included in the calculation of leave encashment.
- **Notional HRA:** For employees availing lease accommodation, **notional House Rent Allowance (HRA)** applicable to the current place of posting is also considered.

TAX EXEMPTION

According to **Finance Division Circular No. 27 / 2025**, the tax exemption under **Section 10(10AA)** is applicable to the extent of least of the following:

1. **10 months average salary** (calculated on the basis of the average salary drawn by the employee during the period of ten months immediately preceding his retirement, whether on superannuation or otherwise)
2. **Rs.25,00,000/-** (Notification No. 31/2023/F. No. 200/3/2023-ITA-I dated 24.05.2023 applicable w.e.f.01.04.2023, issued by CBDT).
3. **Amount actually received**
