

ANNEXURE I

Highlights on the deliberations and Resolutions adopted at the National Convention on Executive Compensation in CPSEs held on 30th Nov. 2012

The convention adopted various resolutions in regard to PRP, Uniform Retiral Benefits, immediate constitution of 3rd PRC and some immediate relief measures. The highlights of the deliberations and resolutions adopted at the convention are summarised hereunder.

A) Performance Related Pay(PRP):

- i) **The 1st PRC suggested Performance Related Pay(PRP) wherein the performance could be linked to the organization, business unit, department, team and / or individual. The total amount payable under this scheme should not exceed 5% of the distributable profits of the organization. But the PRP suggested by 2nd PRC is solely linked not only to the profits for the year, but also to incremental profits over the previous year. A consensus was arrived at this convention that the PRP scheme should have both the elements of (a) Performance and (b) Profits.**
- ii) The component of salaries and wages to the total cost vary from 2% to 40% depending on the sector to which an enterprise belongs. Therefore the convention deliberated the need to modify the existing PRP scheme, so that the quantum of PRP can vary from 2% to 10% depending on the sector to which an enterprise belongs.

- iii) The existing PRP scheme is linked to the grade as well as the basic pay. The convention considered the need to the DA element also as a part of the basic pay since it reflects the inflationary effect on the basic pay. Further there is need of inter-grade rationalization of PRP amount in such a way that E1 level executive should get 100% and E9 level executive should get closure to 150%.
- iv) The existing PRP scheme provides a difference of 20% in the eligible amount of PRP among various MOU ratings obtained by the enterprise i.e. 100% if the MOU rating is excellent, 80% for very good, 60% for good, 40% for fair and Nil for poor. The convention desired that these differences among various ratings of MOU be brought down to 10% instead of 20%.
 - a. There was a unanimous pleading by all the CPSEs regarding removal of the stipulation relating to the 'mandatory grading of 10% of the executives as below par (with no payment of PRP) under the bell curved approach of the PMS.
 - b. Similarly there was a common appeal by all the CPSEs regarding empowerment of the Remuneration Committees of the concerned organisations to determine the quantum of PRP payable among the executives including for those rated below par under bell curve system of PMS.
 - c. All the CPSEs expressed that 100% of PRP which is linked to the profits should strait away be allowed i.e. without linking it with incremental profits..
 - d. Similarly many CPSEs desired that the surplus out of 5% of PBT earmarked for PRP in any relevant financial year to be carried forward to the subsequent years.

v) Superannuation Benefits :

- a. A serious concern was expressed by all the participants regarding nil/ eligibility of paltry pension amounts under the existing scheme applicable in the case of the employees of the CPSEs. Considering the alarming rate of inflation year after year they desired that a minimum guaranteed family pension of around 35% of basic +DA may be ensured under any suitable scheme to all the retired executives irrespective of their date of retirement (i.e. against 50% being drawn by the government employees).
- b. The convention insisted that the Administrative Ministries should stipulate to the banks/insurance companies which are covering the pension schemes of the major CPSEs, the need to extend uniform rates of premium to all the CPSEs working under their control
- c. The convention desired that a tripartite committee be set up to explore feasibility of insurance linked post retirement medical benefits to cover the entire public sector enterprises irrespective of their profitability
- d. The convention desired that the existing ceiling of Rs 10 lakhs on the gratuity amount be removed so that the employees could get higher amounts if eligible, and the employers will be obliged to make provisions towards gratuity in respect of all the employees uniformly.

- e. The convention desired that the gratuity has been calculated based on basic pay plus DA instead of the existing system of considering only basic pay
- f. The convention desired that the Administrative Ministries/Departments should take immediate steps for creating a common corpus for the retired employees of the CPSEs (i.e. prior to 1/1/2007) under their Administrative control
- g. The convention desired that on grounds of equity, the employees of all the CPSEs working under various administrative ministries, as a single family and extend necessary help in supplementing at least their superannuation benefits uniformly (i.e including to the loss making CPSEs) by creation of corpus fund from avenues like (a) a part of dividends paid by the CPSEs working under the control of the same parent ministries (b) a part of CSR funds of the CPSEs working under the control of the same parent ministries (c) a part of benefits accrued by making disinvestments of the CPSEs working under the control of the same parent ministries etc.”

vi) Pay Revision from 1/1/2012:

The convention desired DPE to take appropriate actions for constituting the third PRC soon, as otherwise very serious anomalies will emerge on following two different wage/pay revision periods to the employees of various groups Viz Workmen Vs executives”

vii) Immediate relief measures

The convention desired DPE for considering immediate sanction for the following issues, pending the constitution of the 3rd PRC :

- DA as on 01-01-2012 should be merged with all consequential benefits.
- To obviate the anomalous situations, allow drawl of annual increments by those executives who are stagnating at the higher end of the scales of pay, as in the case of workmen who draw their annual increments without any limits in open ended pay scale system.

In principal approval by DPE for constitution of an empowered bipartite committee headed by an independent director in each CPSE (i.e., other than remuneration committee) to resolve anomalies arising out of different systems of pay, increments and incentives between different categories of employees Within the enterprise.

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viii) Autonomy To PSU Boards

The Boards of PSUs shall be empowered to take decision on many issues which are required to compete with private players in order to motivate their employees as they are left with little room after revision through presidential directives. In this regard it is requested that recent issued guideline on leave encashment, Location allowances etc may please be withdrawn.