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An Investigation from Consumers' Viewpoint

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The Bangladesh Pension System

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Abstract This descriptive piece discusses the multidimensional aspects of the prevailing pension system in Bangladesh and provides a visionary roadmap for designing a pension system in comparison to international policy views. In Bangladesh, some two million government employees are entitled to draw retirement pensions and so are the employees of the formal private sector. However, the large chunk of the workforce employed in the informal sector are out of the pension scheme. Within the limit of laws, rules and regulations, this chapter identifies the details of government pension schemes, key differences between the public pension schemes, and private pension plans. The public pension program follows the traditional unfunded pay-as-you-go system where the payment is made from budgetary revenue. In contrast, the private pension schemes are either defined-benefit plans or defined-contribution plans where the contributed amount is invested to generate pension payments in the future. The financial sector (e.g., private commercial banks operating in Bangladesh) is no exception from the above-mentioned corporate pension schemes. The study notes that there is a direct correlation between the tenure of service and the size (as a percentage) of pension benefit. This case is found to be true in both public and corporate pension schemes. This chapter also explores the regulatory framework of the pension system in Bangladesh and finds that the absence of one single comprehensive legal guideline for the pension system has made it complex to manage pension funds. There is more wriggle room to make the existing system more flexible and more pro-employee.

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Abbreviations

AO	Accounts Officer
BBS	Bangladesh Bureau of Statistics
CAO	Chief Accounts Officer
DDO	Drawing and Disbursing Officer
EFT	Electronic Fund Transfer
FR	File/financial Record
GOB	Government of Bangladesh
HIES	Household Integrated Economic Survey
IMF	International Monetary Fund
IMR	Infant Mortality Rate
LPR	Leave Preparatory to Retirement
MOF	Ministry of Finance
NBR	National Board of Revenue
OAA	Old-Age Allowance
OECD	Organization for Economic Co-operation and Development
PAYG	Pay-as-you-go
PPO	Pension Payment Order
PRL	Postretirement Leave
UPL	Upper Poverty Line

1 Pensions as Old-Age Income Security in Bangladesh

Planning for retirement is a decisive phase of everybody's lives. A pension is a form of provision of annuities for aged people. Considering the increasing inflation level, narrow social security initiatives for senior citizens, economic environment, and population structure, an adequate pension system for senior citizens is crucial (Barkat et al., 2013). A pension is a sort of retirement plan that affords monthly earnings in retirement. In Bangladesh, government organizations and some large private companies usually offer pension schemes. With a pension plan, the employer contributes money to the pension plan while working. Ideally, every citizen should be covered with a pension facility to secure their life in old age (Siddiqui, 2016).

Currently, almost 8.5% of the world's population is over the age of 65 years. This figure is projected to increase to approximately 17% by 2050. Older people are less likely to work, and traditional sources of support from children and other family members are declining. This means that the asset base of the older population is not adequate to finance their needs and that poverty incidence among the older population is high. According to available statistics, more than half of Organization for Economic Co-operation and Development (OECD) countries have old-age poverty rates of more than 10.0%. On average, the poverty level for persons over 75 years of age, across

OECD countries, is 14.7%, which is 3.5% higher than the poverty level among 66–75 year-olds (OECD, 2015; UNDESA, 2015). For half of Latin American countries, the corresponding rates are over 20.0%. Public pension programs have emerged primarily to alleviate poverty among the older population.

There are now two types of public pension systems. A contributory pension system comprises two streams: mandatory contributions (e.g., public sector employees are mandated to pay a certain percentage of their income into the system) and voluntary contributions. The other scheme is a tax-financed (noncontributory) pension, also referred to as a "social pension" (Fig. 1). This is a regular cash transfer to older people with two main functions: (i) providing a minimum income to assist with poverty reduction and (ii) improving the distribution of resources. Eligibility criteria for such schemes include age, citizenship, residency, etc.

Traditionally, the pension system of many developed countries is divided into three types: public pensions, occupational pensions, and individual pensions. As a shift from this categorization, the World Bank proposed a different "three pillars" pension system in its 1994 report to avert the old-age crisis. The three pillars are: (i) a mandatory publicly managed pillar, (ii) a mandatory privately managed pillar and (iii) a voluntary pillar. One of the features of this system is that it applies equally to public and private sector employees (Willmore, 2000).

The first pillar of this system is an anti-poverty pillar that is financed by the government from tax revenue, and its benefit goes directly to the people with low income and few assets. The second pillar is the most important among the three, and it prompts controversies as well. This pillar assumes a "capitalized system" in which the contributions of the participants are invested, preferably in the financial market, to obtain a higher rate of return and to replace the pay-as-you-go system. The third is more of a supplementary savings pillar voluntarily participated in by those who want to save more for their unforeseeable future. Self-employed people can also contribute to this fund.

In face the challenges of global uncertainty, Bangladesh has already secured some certainty by providing a limited "safety net" fund—a pension fund system predominantly for public sector employees. However, no voluntary pension fund exists in Bangladesh to offer more choices, as mentioned above, covering the private and

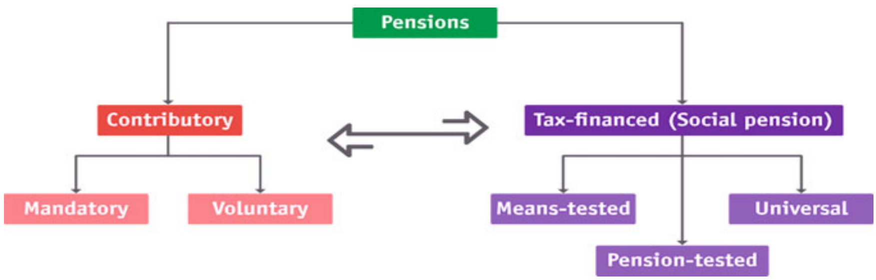

Fig. 1 Schematic presentation of a pension system

informal sectors. The constitution of Bangladesh contains fundamental responsibilities encompassing economic, social, and cultural rights. Among them, Article 15(d) has made it a fundamental responsibility of the State to secure citizens' "right to social security". However, with the rudimentary pension system that already exists and extends its service only to a limited class of employees, it is not possible to ensure social security (Barkat et al., 2013).

The budget for fiscal year 2019–20 included a plan for pensions for all. Pensions for all employed citizens in both formal and informal sectors will be ensured gradually. A "Universal Pension Authority" will be formed soon to introduce pensions for everyone, including all employed citizens. The Bangladesh government is also planning to bring all pensioners under its pension payment process—Electronic Fund Transfer (EFT). Currently, 27,000 pensioners are recipients of the EFT pension scheme. By the next fiscal year, this EFT process will be widened to cover all pensioners.

2 Economy, Demography and Old-Age Vulnerability in Bangladesh

2.1 Economic and Demographic Trends of Bangladesh

The economy of Bangladesh has come a long way since the country's independence in 1971. The ravages of the liberation war, combined with the wrath of natural calamities, political instability, corruption, etc., delayed the development process considerably, yet the economy has not only survived but has begun to show signs of sustained vibrancy (Barkat et al., 2003). The 1970s was the decade of reconstruction and rehabilitation for Bangladesh. Since then, a good deal of progress has been made in both economic and social spheres. Successes in reducing the infant mortality rate (IMR) and fertility rate, closing the gender gap in school education, and rapidly increasing female labor force participation are a few examples (Table 1).

Bangladesh recorded one of the fastest growth rates in the world in the past few years with a stable economic performance that has helped to reduce poverty and social inequalities (Table 2; Fig. 2). GDP growth was estimated to have reached 7.9% in 2019 and is forecast to fall to 2% in 2020 due to the outbreak of COVID-19 and pick up to 9.5% in 2021 (updated IMF forecasts on 14 April 2020). The post-pandemic global economic recovery and private consumption boosted by strong remittance flows from the Bangladeshi diaspora around the world are expected to be the key drivers of growth in 2021.

The financial situation (especially the banking sector) became weak due to a large share of nonperforming loans and an increase in restructured loans. Inflation moderated to 5.7% in 2019 and is expected to remain stable in 2020 (5.5%) and in 2021 (5.6%), despite the COVID-19 pandemic. The current account deficit was estimated to have narrowed to 2.7% of GDP in 2019 as higher textile exports provided

Table 1 Socioeconomic features since liberation (1971)

Year → ↓Socioeconomic features	1971	1980	1990	2000	2010	2015	2020	2021
Population	75 m	79.6 m	103.2 m	128 m	148 m	160 m	165 m	166 m
GDP per capita ($)	$70	$228	$306	$418	$781	$1,340	$2,064	$1,280
Average life expectancy	43 years	52.9 years	58.2 years	65.5 years	69.8 years	71 years	72.6 years	72.8 years
Child death rate at birth (‰)	170.00 ‰	198.60 ‰	143.80 ‰	64.37 ‰	48.70 ‰	32.00 ‰	24.73‰	28.95‰
Female fertility rate	5.00	6.35	4.50	3.23	2.32	2.00	2.03	1.97
Population growth rate	3.30%	2.69%	2.43%	2.00%	1.13%	1.30%	1.01%	0.98%
Population below poverty level	70.0%	63.0%	58.8%	49.2%	33.0%	24.0%	29.5%	20.0%
Development Status	Basket case	Basket case	Development revelation	Development revelation	Development revelation	Development revelation	Lower middle income	Lower middle income

Source Bangladesh Bureau of Statistics (BBS) Reports and World Bank data

Table 2 Economic growth (%) in Bangladesh (1991–2021)

Year	Economic growth (%)	Year	Economic growth (%)	Year	Economic growth (%)
1991	3.49	2002	3.83	2013	6.01
1992	5.44	2003	4.74	2014	6.06
1993	4.71	2004	5.24	2015	6.55
1994	3.89	2005	6.54	2016	7.11
1995	5.12	2006	6.67	2017	7.28
1996	4.52	2007	7.06	2018	7.86
1997	4.49	2008	6.01	2019	8.15
1998	5.18	2009	5.05	2020	3.51
1999	4.67	2010	5.57	2021	6.90
2000	5.29	2011	6.46		
2001	5.08	2012	6.52		

Source The GlobalEconomy.com, World Bank

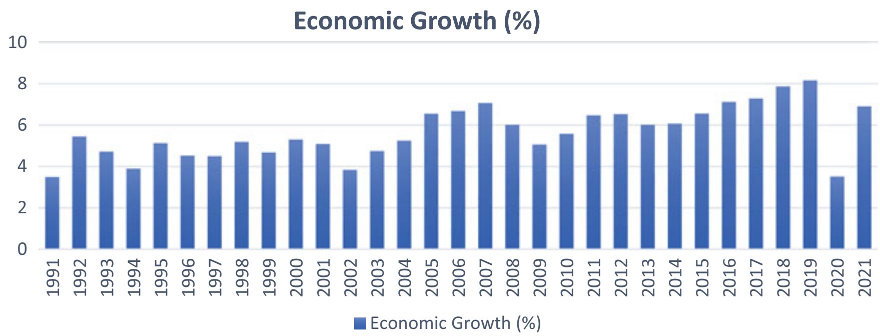

Fig. 2 Economic growth (%) in Bangladesh

support. Nonetheless, the deficit is forecast to widen to 2.2% in 2020 because of the high import requirements of the construction sector for mega-infrastructure projects; it is again gaining and was found to have reached 6.9% in 2021. Bangladesh is one of the most vulnerable countries in the world to climate change, with extreme weather events estimated to have caused a loss of approximately 1.8% of GDP in the past few decades. The official unemployment rate according to the latest survey of the Bangladesh Bureau of Statistics (BBS, 2018) was 4.2% during 2016–2018, but this more than doubles to 10.6% for the youth unemployment rate.

The Bangladesh economy relies on its huge human resources, rich agricultural soil, and abundant water resources. Agriculture represents 13.1% of GDP and employs 39.7% of the total workforce. The main crops include rice, tea, jute, wheat, sugarcane, tobacco, spices, and fruits. Bangladesh is the world's fourth-largest rice producer, although shortages caused by natural disasters occasionally force the country to import rice. Industry represents 28.5% of GDP and employs 20.5% of the total workforce. Textiles is by far the largest industry, accounting for more than 80% of the country's total exports. Textile export income fell to $30.1 billion in January-November 2019 from $32.9 billion at the same time a year earlier, according to the Bangladesh Export Promotion Bureau (EPB, 2020). A risk factor for the clothing industry is the gap between the local supply and demand of cotton. Secondary industries include paper, leather, fertilizers, metals, and pharmaceuticals. Services account for 53.5% of GDP and employ 39.8% of the total workforce. Microfinance and computing are among the largest sectors, with the country's technology exports reaching approximately $1 billion per year. The government aims to increase technology exports to $5 billion by 2021.

2.2 Old-Age Vulnerability and Income Security in Bangladesh

In terms of population structure, Bangladesh is considered a young country, passing through the first demographic dividend phase. In 2018, the share of the 0–14 year-old cohort in the total population was approximately 22.0%, the share of the working-age group (i.e., 14–59 years) was approximately 43.0% and that of the old-age population (65+) was 7.0% (BBS, 2018). However, Bangladesh will become a rapidly aging nation: the portion of the old-age population is projected to reach 25.0% by 2050 (Fig. 3). Poverty among the older population is not low in Bangladesh. According to the Household Integrated Economic Survey 2016–17, using the upper poverty line (UPL), the headcount poverty rate among the 60+ population is estimated at 21.90%, against a national poverty rate of 24.30%.

The elderly poverty rate increases by approximately 0.6 percentage points if those aged 65 years and above are considered. The incidence of extreme poverty was lower, at approximately 12.0%, among the old-age population in 2016. However, members of this group are more vulnerable than the average person, according to 2016 data. In Bangladesh, due to improved quality of life, the number of people over 60 years old is increasing rapidly. This should be seen as an emerging challenge, as the

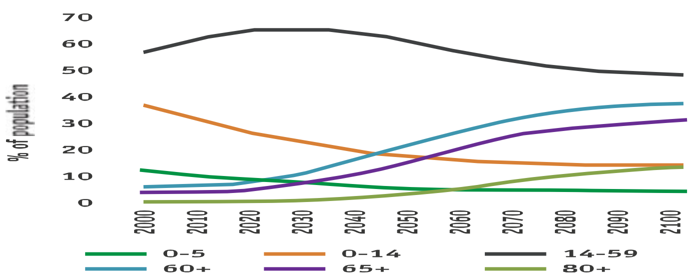

Fig. 3 Population projection by age cohort for Bangladesh (2000–2100) %

elderly will have special needs and require different care-giving services. Applying the definition of "vulnerable" groups adopted in the National Social Security Strategy (i.e., vulnerability threshold = UPL $\times$ 1.25) shows that vulnerability rates for the 60+ and 65+ population groups are 55.0% and 57.0%, respectively.

These estimates suggest that old-age vulnerability is 2–3 percentage points higher than average vulnerability (i.e., 53.0%). Significant variations are observed in poverty rates between elderly males and elderly females, at 20.0% and 24.4%, respectively, in the 60+ group and 22.0% and 26.0%, respectively, in the 65+ group. Similarly, elderly females are more vulnerable than elderly males. The vulnerability rates are 52.0% and 58.0%, respectively, for 60+ males and females and 54.0% and 59.0% for 65+ males and females.

One key factor in old-age poverty and vulnerability is the drop in labor income—as a direct outcome of their reduced participation in the labor market. Labor force participation across the life course in Bangladesh is defined as the proportion of the population engaged actively in the labor market, either by working or by looking for work. The data suggest a sharp decline in the proportion of both men and women working after the age of 55. For men, the figure drops from 99.6% between the ages of 35 and 54 to just 54.6% over the age of 65. For women, who have significantly lower labor force participation rates on average, the figure drops from 43.9% between the ages of 25 and 34 to 12.5% over the age of 65.

The marked dip in labor force participation after the age of 55 correlates strongly with the increase in disability around the same age. These issues have been discussed in studies undertaken by the General Economics Division of the Planning Commission. In addition to disability, discrimination against older workers is another driver of lower labor force participation. Older people can face discrimination in the labor market, such as being denied access to microcredit. A 2008 survey by Help Age International found that only 19.0% of older people in Bangladesh were able to access credit, compared with 45.0% of poor adults.

As the world's aging population grows and their support systems from children and other family members decline, they become more prone to poverty for obvious reasons, be it degenerative bodily parts and other factors attributable to ailments. The older generations, on average, cannot work to fend for themselves and as such the establishment of a pension system to prevent them from being pushed into poverty becomes incumbent on the government of any nation.

The increased incidence of disability in old age correlates strongly with lower labor force participation at older ages. Information gathered from the HIES suggests that problems with hearing, vision, mental disability, and mobility (walking) are strongly correlated with aging. The incidence of disability increases for those aged between 55 and 64 and those aged 65 and over. This is true for all types of disability, except for difficulty in meeting self-care needs. As noted, by 2050, the number of people in the age group of 65 and above will double from what it is now, and as such, with the absence of a public pension scheme, the poverty level of the nation may rise due to this factor.

A decreased ability to earn an income in old age suggests that older people depend on other individuals, personal savings, or social protection for old-age income security. The combination of sources of such external support available to individuals will vary significantly. It is likely that older people receive some form of support from their families, including those who have migrated to other parts of the country or abroad. Some older people may also have assets they can rely on for some irregular personal income. Several studies describe how some older people sell assets such as land and animals to contribute to dowry costs or health costs (Alam, 2018; Kabir et al., 2013). Khondker et al. (2014) provide important lessons that can support policymaking around social protection in old age:

- Economic vulnerability in old age is real, with increased levels of disability and lower rates of labor force participation, with aging leading to a reduced capacity to earn.
- The consequences of this economic vulnerability are shared by a large part of the population. Nearly one-third of the population lives in the same household as an older person, while many more people in other households will be part of a web of support to and from older people.
- Old age in Bangladesh has important gender dimensions. Most older women are widows, while most older men are married.
- Divergence in poverty rates by gender points to greater old-age vulnerability among women.
- Most older people in Bangladesh receive no regular income from social protection schemes.
- The key question for policymakers is whether income security in old age can be left primarily to families or older people themselves in the context of high levels of poverty and vulnerability in Bangladesh.

The studies also noted that the main implications of the social pension system are as follows:

- Lower coverage based on poor poverty data has led to high inclusion and exclusion errors, both by age criteria and by poverty criteria.
- Generosity (i.e., the transfer amount) appears inadequate given the number of beneficiaries and compared with the public contributory scheme.
- Actual benefits measured in terms of poverty rate and income distribution are far less than potential given inefficiency and the low level of the transfer amount.
- Exclusion of deserving beneficiaries is critically dependent on beneficiary coverage: it has been argued that this problem disappears under universal coverage or reduces significantly with a higher level of coverage.
- Even with an assumed 2.40% annual per capita GDP growth, the cost of a universal social pension ranges from 0.50% of GDP in 2013 at a 600 Bangladeshi taka transfer amount to 1.20% in 2050 with a transfer amount equal to 1,000 taka. The estimated costs seem affordable at the stipulated levels of allowances. There will, however, be questions about such low levels of allowances.

3 Overview of Pension Systems in Bangladesh

3.1 Historical Perspective

A pension system was first inaugurated by the Romans under Augustus Caesar. There was guaranteed income after retirement from work for Roman soldiers. In fact, there were also pension facilities for public sector workers. Historically, government-guaranteed pensions for aged persons (employees) emerged in France in the early nineteenth century, followed by the UK in 1834 and Germany in 1873. The first corporate pension system was established by the American Express Company in 1875. Workers who had been with the company for 20 years, had reached age 60 and had been recommended for retirement would be entitled to avail themselves of the pension facility (BLS, 1981). Several large corporations had started to provide pensions to their workers by the turn of the twentieth century throughout the world. Banks, and electronic and manufacturing companies were the first movers in this respect (OECD, 2015).

Bangladesh is a 50-year-old country that was liberated from Pakistan in 1971. It is a country that originally was a part of the Indian subcontinent and was under British rule for nearly 200 years (1757–1947). As such, the British have had a major role over the laws of the land, and many of the judicial practices are still binding in this country even 70 years after the end of the British Raj (rule) over the subcontinent. It is appalling to see that among other British laws that remain, many pertaining to the pension system still prevail in the country, with recent changes being made and reforms being introduced. The regulatory framework for the pension system dates to 1871, when the Indian Pension Act was passed to give native employees of the British government a pension upon their retirement (Appendix 1). Pension schemes for elderly people in this region were first adopted in 1924, but they were only for government servants.

In Bangladesh, unlike that of yesteryear Japan where people hardly ever migrated to other jobs, the trend here is for the working class to shift from job to job. As a result, many also cannot be benefactors of pension schemes, if any, that may be present in their current workplace. Furthermore, there are no general pension scheme guidelines or structures that are followed both by the private sector and the public sector. The public sector that comprises the workforce under the government also does not include all the different categories of jobs that fall under this sector, so that not all government workers benefit from pension fund schemes.

At present, there is no formal pension system in Bangladesh on a national scale, except for only employees in government service (civil and military). The number of government servants is approximately 1.4 million, which accounts for only 5% of the total employed population. The government launched the Old-Age Allowance (OAA) program as a social pension for elderly people in 1998 to alleviate the poverty situation. Pension issues are settled according to the rules of the Public Servants (Retirement) Act 1974 (Appendix 2). Autonomous bodies, public sector organizations, local authorities, public universities, etc., have similar pension schemes.

The population in private employment has abysmally small (almost nil) pension coverage. If the private sector is to be taken into account, there are no prerequisites for setting up pension schemes for employees in their corporate structure; nonetheless, many of the multinationals functioning in this arena do have such schemes designed for their staff, and set up policies with insurance companies that operate in the country based on the companies' requirements.

Additionally, workers from the agricultural sector constitute approximately 50% of total employment and contribute an approximately 40% share of the total GDP. Despite this size, this sector also does not have a pension system. The lack of popularity of a pension scheme in this country can be attributed to its shortsightedness in cultivating an awareness of the need for such a scheme among the working population.

3.2 Pension Schemes in Bangladesh

This descriptive piece considers the multidimensional aspects of the prevailing pension system in Bangladesh and provides a visionary roadmap for designing a pension system within the limit of laws, rules and regulations, and international policy reviews (Sa post, 2012). In Bangladesh, some two million government employees are entitled to draw retirement pensions, as are the employees of the formal private sector. However, the large chunk of the workforce employed in the informal sector remains out of pension schemes. The public pension program follows the traditional unfunded pay-as-you-go system where the payment is made from budgetary revenue.

In contrast, the private pension schemes are either defined-benefit plans or defined-contribution plans where the contributed amount is invested to generate pension payments in the future. The private financial institutions operating in Bangladesh are no exception to the abovementioned corporate pension schemes. It is noted that there is a direct correlation between the tenure of service and the size (as a percentage) of pension benefits in both public and corporate pension schemes. The regulatory framework of the pension system in Bangladesh noted the absence of one single comprehensive legal guideline for the pension system, which has made it complex to manage pension funds. There is more wriggle room to make the existing system more flexible and more pro-employee.

In quite a few countries, such as Bangladesh, public pensions have become an important source of income for the older population. There are two types of public pension systems: (1) a noncontributory (tax-financed) pension system, and (2) a contributory pension system. Formal social protection in old age in Bangladesh comprises both contributory and noncontributory schemes. The present form of pension schemes in different sectors is enumerated in the following sections.

3.2.1 Public Pension Programs (Means-Tested, Tax-Financed)

A noncontributory (tax-financed) public pension system is also referred to as a "social pension". This is a regular cash transfer to older people with two main functions: (i) providing a minimum income to assist with poverty reduction, and (ii) improving the distribution of resources. Eligibility criteria for such schemes include age, citizenship, residency, etc. They have three dominant forms in terms of the selection of beneficiaries or coverage: universal, means-tested (e.g., poverty threshold), and pension-tested (i.e., pension threshold). On the noncontributory side, the tax-financed Old-Age Allowance (OAA) program implemented by the Ministry of Social Welfare in 1998 is a social pension paid to poor older people with no requirement for previous contributions or job positions. In addition to its limited coverage, the main problem with the tax-financed social pension schemes is related to the accuracy of beneficiary selection using poverty data.

Old-Age Allowance (OAA) Program

The government of Bangladesh introduced the OAA Program in 1998. It covers elderly people who are not covered by the existing pension system. It is a strong beginning to provide security to underprivileged elderly people. The OAA constitutes one of the most substantial social protection schemes in terms of budget and coverage. The scheme has expanded at a remarkable speed over the past decades. It initially allocated benefits to approximately 400,000 older people, a figure that has increased by more than seven times today.

The transfer level has also increased from an initial monthly value of a meager 100 taka (US $1.18) to 500 taka (US $5.88) today, which truly will not suffice for a person's food requirements or medical needs. Even so, the coverage of the OAA is much more substantial than that of the civil service pension, with 3.2 million poor older people budgeted to receive a payment in the financial year 2016–2017 (i.e., 30.0% of the population aged 60 and over). Similar poverty-targeted social pension schemes are found in countries such as India, Indonesia, and the Philippines. Developing a well-structured and fair retirement and pension system is crucial for ensuring the social security of elderly people.

3.2.2 Public Pension Programs (Mandatory and Contribution-Based)

The contributory public pension system in Bangladesh comprises two streams:

(i) Mandatory contributions: Here, civil servants are mandated to pay a certain portion of their income on a regular basis as a savings for a pension to be built.
(ii) Voluntary contributions: This is a tax-efficient method of boosting retirement savings, as any additional voluntary contributions one makes to one's pension are deducted from one's wages before tax.

The public contributory pension and voluntary pensions cover the relatively better-off segment of the old-age population. On the contributory side, civil servants and employees of public corporations are eligible for a pension based on their working history. The civil service pension provides income security for only a small proportion of the population, with approximately 330,000 recipients (approximately 3.30% of the population aged 60 and over). The indicative demographics of government employees in Bangladesh are shown in Table 3.

A public pension is granted to a public employee on his/her retirement from public service based on length of qualifying service rendered and emolument amount last drawn. A citizen enters public service at a young age and then spends the most valuable time of his/her life in the service, and ultimately, at the age of 59 years, he/she retires from service because of old age. Being used to a routinized life profile, it is difficult for a public employee to adjust to other occupations in society after retirement. His/her work capability is reduced. In most cases, he/she is no longer able to pursue any other occupation. In addition, many government officials become handicapped or die because of this. His/her dependent family members face serious financial setbacks.

For this compassionate viewpoint, the government has introduced pension, gratuity, group insurance, and benevolent funds for retired government officials and their dependents. Through this procedure, retired persons or their dependents do not have to depend on others to survive. At one time only government servants were entitled to a pension in Bangladesh. However, in the case of many autonomous organizations (semi-government), namely, public universities, nationalized enterprises, state-owned banks, etc., a pension system has been introduced. Government servants receive a pension from the government, and officials of autonomous bodies receive their pensions from their appointing authority.

The public pension plan is arranged by the government or other public bodies. It is a social security plan for alleviating poverty and providing a financial base for elderly persons, especially civil servants. For the public pension, Bangladesh follows the traditional pay-as-you-go (PAYG) pension scheme, which is an unfunded

Table 3 Indicative demographics of government employees in Bangladesh

Age (Years)	Frequency (f)	Relative frequency (%)	Cumulative relative frequency (%)
Below 20	8,076	0.84	0.84
21–25	74,932	7.75	8.59
26–30	126,103	13.05	21.64
31–35	162,526	16.82	38.46
36–40	138,696	14.35	52.81
41–45	104,335	10.79	63.60
46–50	132,324	13.69	77.29
51–55	114,202	11.82	89.11
56–60	103,946	10.75	99.86
61–65	1,383	0.14	100.00
Total	966,523	100.00	

pension system where the government pays its former employees (retired) mainly from budgetary revenue. Current workers contribute to paying current retirees in return for a promise that the future generation will contribute to them. However, the funds are not used to accumulate assets to use in paying benefits. The burden relies solely on the taxpayer. At present, there are close to 700,000 civil service pension holders.

The Public Pension Package

There is an acute need for social security for handicapped retired public employees or for the dependents of deceased employees. Against this backdrop, the government has introduced a "pension package" that constitutes several benevolent and medical facilities for retired public servants and their dependents. With this system, retired persons or their dependents do not have to depend on others for their survival. It should be noted that, unless otherwise mentioned, the term pension will refer to the whole pension package, not just the individual benefits of a pension. In Bangladesh, the benefits provided to a government servant after service are as follows:

- Leave Preparatory to Retirement (LPR)
- Gratuity
- Family Pension
- Government Accommodation
- Benevolent Fund
- Group Insurance
- Medical Allowances.

Pensionable Service and Amount of Pension

The pensionable period of service is five to 25 years, and the maximum rate of pension is 90% of the last basic pay of an employee. The five-to-24 years of pensionable period of service will be applicable only in the following cases:

(i) In case a government employee dies or is declared to be physically or mentally invalided by a medical board formed by the government; and
(ii) If dismissed from service after abolition of a permanent post.

The rate of pension is determined based on the following period of service shown in Table 4.

Types/Categories of Pension

According to the existing laws, rules, and regulations, public pensions can be classified into different types/categories according to the nature of the conclusion of the service. The different types/categories of pensions are detailed below:

Table 4 Pensionable period

Pensionable period of service	Rate of pension (%)	Pensionable period of service	Rate of pension (%)
5 years	21	16 years	57
6 years	24	17 years	63
7 years	27	18 years	65
8 years	30	19 years	69
9 years	33	20 years	72
10 years	36	21 years	75
11 years	39	22 years	79
12 years	43	23 years	83
13 years	47	24 years	87
14 years	51	25 years and above	90
15 years	54		

1. **Compensation Pension**
   When a public employee is given a pension after the abolition of a permanent post held by him/her in the process of the abolition of the government establishment where the post was positioned, downsizing, or any other reason for austerity, it is called compensation pension. A public employee can claim a compensation pension for his/her past service. He/she is either appointed to a new post or transferred to other establishments. The procedure in providing this pension involves the preparation of a list of the officials losing their jobs at a minimum expenditure of the government. The important point in this case is that in abolishing the posts, the income of the government must be increased. Again, in this process, the income of the government must be more than the amount of the compensation pension to be paid. In this process, if an employee is discharged from a post after completion of service in terms of fixed service conditions, he/she cannot claim any pension. For loss of any special pay, a pension or compensation allowance is not permitted. For example, if school teachers, or other employees performing duties in the postal department in addition to their own duties, are released from the department, they are not entitled to the pension.
2. **Invalid Pension**
   If a public employee's service concludes due to his/her physical or psychological invalidity, he/she receives an invalid pension. According to the Bangladesh Service Rules, if a public employee applies for an invalid pension before attaining 57 years of age, the head of his/her office of employment will process the sanction for the pension based on the medical certificate regarding invalidation of the employee. The employee shall be required to apply for an invalid pension in the prescribed form along with the recommendations of the concerned medical board

and relevant documents. A prescribed medical certificate is an essential requirement for invalid pensions. When an employee applies for an invalid pension and produces a doctor's certificate, he/she will not be kept in service, and no leave will be granted. Moreover, there is no opportunity for re-employment after invalid pensions. In some cases, invalid pensions are not allowed.

3. **Superannuation Pension**
   Most pensions belong to this category. When a public employee's service compulsorily concludes due to his/her attaining a certain age determined by law for retirement from public service, he/she becomes entitled to a superannuation pension. The retirement age of public employees is 59 according to the Public Servants (Retirement) Act, 1974. The government has increased the retirement age for judges of the Supreme Court and teachers at public universities to 65 years and raised the gross pension at retirement after the minimum qualifying service of 25 years from 80 to 90%.
4. **Retiring Pension**
   According to the law, the government may, if it considers it necessary in the public interest to do so, retire a public employee from service at any time after he/she has completed 25 years of service without assigning any reason (Forceful). Only the appointing authority is authorized to exercise this power and issue an order accordingly. However, no other appointing authority is authorized to exercise this power. If any subordinate appointing authority desires that an employee employed by it should retire after 25 years of service, it must make that proposal to the ministry concerned. In the case of gazette officers, the issue of retiring shall be referred to the President of Bangladesh for decision.
5. **Optional/Voluntary Pension**
   A public servant has an unqualified right to opt to retire from service at any time after he/she has completed 25 years of service upon the condition only that he/she shall have to give notice in writing to the appointing authority at least 30 days prior to the date of his/her intended retirement. In this case, the government is bound to accept the application and has no legal scope to refuse. However, such an option, once exercised, should be final and should not be permitted to be modified or withdrawn.
6. **Family Pension**
   When a pension is sanctioned to the family of a pensioner on his/her death, it is called a family pension. This benefit is granted to the nominated spouse or one or more family members of a civil servant in the event of death while in service or after retirement, provided the pensioner was on the date of death in receipt of a pension. In the case of the family pension, a public servant while remaining in service at any time afterwards may nominate one or more members of his/her family as successor for the whole or part of his/her family pension. However, in the absence of nomination and if the wife of the deceased pensioner or any member of the family is not available, his/her last controlling authority shall decide the successor of the family pension and gratuity. However, it is mentioned that the rules for the family pension are different for different members. The family pension issues are highlighted below:

- Sanctioning of Family Pension is Cumbersome
  - In principle, family pensions should require verification of the genuineness of claimants, including relationships and nominations (if any).
  - Verification of the death of the pensioner.
- Challenges—Running Pillar to Post
  - PPOs are not endorsed with family details and do not possess a joint photograph and descriptive roll.
  - Nomination for Pension, Gratuity and LTA missing.
  - Lack of simplified application (ideally only to the disburser like bank, etc., proving identity proof and death certificate).
  - Existing linkage with Ministry/Department.
  - Issues with separate PPO/GPO numbers.
- Need for a seamless payment of family pension from the very next day desirable.

Other Retirement Benefits

As mentioned earlier, a pension is a package that constitutes several additional benefits (Kagan, 2019). These include:

1. Leave Preparatory to Retirement (LPR): This is admissible to a retired public employee. The period of such leave may extend beyond the date of retirement but not beyond the completion of the 58 year of age, and if he/she proceeds on such leave before the date of his/her retirement, his/her retirement shall be effective on the expiry of the leave. After enjoying the LPR, if the retiree has earned leave to his/her credit, he/she will be entitled to 12 months' pay for 12 months of unenjoyed earned leave. The name LPR has changed to post-retirement leave (PRL).
2. Gratuity and commutation: This is a one-time lump sum benefit to the retiring civil servant requiring a minimum of one year of qualifying service and eligibility. The government presently allows a gratuity to the retiring person up to 80% of the emoluments of the retiree after his/her completing 25 years of pensionable service. Presently, a retired public servant is allowed a gratuity in lieu of 50% of the gross pension that he/she compulsorily surrenders at the rate of 200 taka (US \$2.25) for every taka. He/he is also allowed to surrender the remaining 50% of his/her gross pension at the rate of 100 taka (US \$1.12) for every taka. A retired government employee receives a gratuity at the following rate against his or her basic pay (Table 5).

   Using the above table, the monthly pension and gratuity amount of a government employee can be determined if we obtain his or her last basic pay before retirement. For example, Mr. X's basic pay was 70,000 taka (US \$824) when he retired from his service after 30 years of serving the government. Considering a service period of 30 years, his pension rate will be 90%. Therefore, 90% of

Table 5 Gratuity rates

Pensionable service period	Rate of gratuity (against each taka)	Remarks
5 years or more but less than 10 years	265/-	50% or half of the last basic pay is to be multiplied by the rate of gratuity rate to find the total gratuity amount
10 years or more but less than 15 years	260/-	
15 years or more but less than 20 years	245/-	
20 years or more	230/-	

70,000 is 63,000 taka (US $741). His monthly pension will be half of Tk. 63,000 taka; that is 31,500 taka (US $371). A gratuity amount will 31,500 taka multiplied by 230, which will be 72,45,000 taka (US $85,235).

3. Government accommodation: In the event of death, retirement, including compulsory retirement, the retired person or his family is entitled to remain in the allotted accommodation. If the retired employee (allottee) dies while in service, his/her family shall be permitted to stay in the accommodation for two years subject to certain conditions from the date of the death of the allottee.
4. Benevolent fund: If a public employee dies in the middle of service life or within five years from the date of superannuation, his/her family shall be entitled to receive a benevolent fund grant from the benevolent fund for a period of 10 years according to the scale specified in the schedule of the Bangladesh Employees' Benevolence Board Act 2004, the law relating to the benevolent fund.
5. Group insurance: A Group Insurance Fund has been constituted by the government under the Bangladesh Employees' Benevolence Board Act 2004. All employees except Class III and Class IV employees are required to deposit premiums in the fund at the prescribed rates. This is managed by a trustee board. Every government employee may nominate someone to receive money from the fund. If an employee dies while in service, his/her family will receive one-time financial assistance from the fund. The amount of that assistance shall be equivalent to the pay of 24 months based on the last pay of the deceased employee. However, the amount in any case shall not exceed 100,000 taka.
6. General Provident Fund: Employees can invest up to 25% of their basic salary in the fund, which currently pays an interest rate of 12.5%.
7. Other retirement benefits: The government offers various retirement benefits to its employees in addition to a pension, including post-retirement leave encashment (within one year of retirement, entitling the civil servant to receive a salary for the period for which leave was due at the time of retirement), festival allowances, and medical benefits. Pensions for retired government employees and their families over a period of 12 years are shown in Table 6.

Table 6 Pensions for retired government employees and their families

Fiscal year	No. of Beneficiaries (in millions)	Budget (in million taka)
2019–20	6.3	230,100.00
2018–19	6.3	224,494.60
2017–18	6.26	100,181.80
2016–17	6	126,670.00
2015–16	5.85	111,439.50
2014–15	5.1	86,073.80
2013–14	4.81	68,160.50
2012–13	3.98	55,327.80
2011–12	3.25	50,414.50
2010–11	3.25	40,031.30
2009–10	3.25	37,606.50
2008–09	3.25	36,160.65

Source http://socialprotection.gov.bd/en/pension-for-retired-government-employees-and-their-families/

3.2.3 Corporate Pension

A corporate pension is a benefit plan by the company that provides financial support after retirement. The plan is based on the length of service and salary history of the employee. Generally, there is a requirement of duration of service with the company to be eligible for pension facilities. There are two types of pension plans:

(i) Defined-benefit plan
(ii) Defined-contribution plan

The defined-benefit plan is a traditional approach. However, the defined-contribution model has been widely used in recent years.

In Bangladesh, the practice of corporate pensions is rarely found (Khan, 2019). There is a provision regarding pensions for workers of private organizations and even people involved in agriculture. More than 45% of GDP is contributed by the agriculture and private industry sectors. Moreover, more than 60% of employment in the country is contributed by these sectors. There are several people who become financially and socially vulnerable during their retirement period and feel a need for financial support. Hence, the need for a pension system for eligible corporate as well as private sectors is considerable in Bangladesh (Ministry of Finance, 2019).

There are several nongovernmental initiatives that have an interest in the wellbeing of elderly people in Bangladesh. Some of them are:

- Bangladesh Association for the Aged
- Elders and Children Rehabilitation Centre
- Resource Integration Center (RIC)
- Service Center for Elderly People (SCEP)

- Elderly Development Initiatives (EDIs)
- Bangladesh Retired Government Employees Welfare Association, Dhaka
- Defense Personal Welfare Trust, Dhaka
- Bangladesh Women's Health Coalition (BWHC).

These organizations aim to work for the rights of elderly people and have their own dimensions of work. They can come forward to provide financial support to those who are not covered by the government pension system. In the State Bank of India, there is a fund-raising system under the National Pension System, where employees contribute @10% of their basic pay, and employers also contribute @10%. After retirement of the employee, they are eligible to get @50% of their last basic amounts until their death.

As noted, there is a very limited practice of corporate pensions in Bangladesh. The banking sector has introduced the concept of corporate pensions, enumerated below.

Terminal Benefits of Private Commercial Banks in Bangladesh

The following kinds of terminal benefits may be admissible to a regular and full-time employee of the bank:

(a) Gratuity
(b) Contributory Provident Fund
(c) Benevolent Fund
(d) Group Insurance
(e) Compensatory payment for refused earned leave

(a) Gratuity: All regular employees who rendered at least eight years of continuous service in a private Commercial Bank and

  (i) have not been dismissed from service as a measure of punishment; or
  (ii) have not resigned, left, or discontinued the service without properly notifying the competent authority, and

  A regular employee whose service is terminated before completion of eight years of continuous service in a private Commercial Bank on the following grounds:

  (i) He/she is discharged/terminated from service due to total or partial disablement; or
  (ii) Steps aside to facilitate succession; or
  (iii) The post to which he/she is appointed is abolished or he/she is retrenched from service for reduction of strength and redundancy.

  Amount: The amount of gratuity shall be computed at the rate of two months of substantive pay for each completed year of service or for any part thereof exceeding 180 days. The last pay drawn shall be the basis for such computation.

(b) Contributory Provident Fund: The eligibility for becoming a subscriber to the fund is:

(i) A regular employee of a private Commercial Bank shall be eligible to subscribe to the fund.
(ii) All eligible subscribers shall subscribe monthly to the fund beginning from the calendar month after entry into the regular service of the bank.

There shall be constituted a fund to be called the "Private Commercial Bank Employee's Contributory Provident Fund." The management of the fund shall vest in the Board and officers authorized in this behalf by the Board.

Conditions and rate of subscription:

- The amount of subscription shall be fixed at the minimum rate of 10%, and such a subscription shall be deducted from his/her monthly pay.
- The subscription of a subscriber who is on leave, other than extraordinary leave without pay, shall be deducted at the monthly rate from his/her leave salary, but no subscription shall be deducted for any period of extraordinary leave without pay.
- In the case of an employee under suspension, no subscription shall be deducted from his/her subsistence grant; however, if he/she is subsequently reinstated and with pay or leave salary with retrospective effect, the subscription at the usual rate shall be deducted in a lump-sum for the entire period of his/her suspension.
- No subscription to the fund shall be deducted for the last broken month of termination of service by retirement, resignation, discharge, dismissal, retrenchment, or death.
- The bank shall contribute to the credit of each subscriber an amount equal to his/her subscription but not exceeding 10% at the end of each month.

(c) Benevolent Fund: A private Commercial Bank may establish a fund to be called the "Benevolent Fund."

Source of Fund: The fund shall be credited by,

(i) All sums paid by the employees as a subscription to the fund.
(ii) All grants/donation made by the bank or other organizations and institutions or by individuals.
(iii) All income, profits or interests accruing to the fund or from investments of the fund.

Investment: The amount credited to the Benevolent Fund shall be kept in the bank or invested in such a manner as may be prescribed by the Board of Trustees to be constituted by the Board for management and administration of the fund.

Subscription to the fund:

(i) Every regular employee shall be liable to pay a monthly subscription equal to $+1\%$ of his/her substantive pay or 100 taka, whichever is less. Such a subscription shall be deducted from his/her pay monthly.
(ii) Where the amount of subscription cannot be deducted from the pay of the employee, the employee shall deposit the sum payable by him/her to the bank. If any amount of subscription remains unpaid due to inadvertence

or negligence of the employee, such amount shall be recoverable from him/her in such a manner as may be determined by the Board of Trustees.

(iii) However, default in the payment of subscription shall not affect his/her right or the right of his/her nominee(s) to receive the benevolent grant as provided in subrule 17.5.5, but the amount of the unpaid subscription will be adjusted from the benevolent grant payable to him/her or to his/her nominee(s) in the event of his/her death during the service.

Payment of a benevolent grant:
If an employee is declared completely incapacitated physically or mentally to discharge the official duties and is terminated from service for that reason, or dies during the continuance of his/her employment, then he/she or his/her nominee(s), as the case may be, shall be entitled to receive a benevolent grant for an amount equal to his/her 12 months' substantive pay last drawn with a maximum of 200,000 taka, whichever is less, in a lump-sum. In the absence of any valid nomination made by the employee, the benevolent grant shall be paid to the legal heir/heirs (as per succession certificate) of the deceased employee.

(d) Group Insurance: If an employee happens to die in the course of his/her service in a private Commercial Bank, the bank shall pay to the nominee(s) a sum, to be fixed by the bank from time to time, which shall not be less than 24 months' initial basic pay of the corresponding grade of pay.

(e) Compensatory payment for unavailable earned leave: A compensatory payment for the period of unavailable earned leave may be made to a regular and full-time employee of the bank at the time of his/her release due to retirement/resignation or in the event of his/her death during his service in the bank to his nominee(s) or legal heir/heirs for a maximum period of 12 months in case of retirement/death and for a maximum period of 120 days in case of resignation. The compensation for the period of such unavailable earned leave shall be calculated based on the employee's substantive pay last drawn.

3.2.4 Personal/Individual Pension Scheme

The Individual Pension Scheme is a registered plan intended for one person. It is a defined benefit plan, which means that the individual will receive an amount upon retirement. The plan is sponsored by an incorporated business for its owners or executives. Taxes will not have to be paid on the contributions made by the business, and taxes will have to be paid only on the amounts withdrawn. Investment earnings are also tax-sheltered if they remain in the plan. In Bangladesh, the said pension plan is rarely practiced (*Financial Post*, 11 October 2011). Therefore, there is still room for a large portion of the working population to be put under this pension scheme. The advantages of such schemes are as follows:

- Predictable retirement income.
- The participant can buy back prior years of service upon the plan's implementation.

- Returns are tax-sheltered.
- In the case of early retirement, the business can supplement the plan with an additional contribution.
- Assets are not locked in for a connected person.

3.2.5 Alternative Pension-Like Programs (Reverse Mortgage)

In Bangladesh, there is hardly any structured alternative pension program. When people who have led a luxurious life in the past are old and their health does not enable them to work, but they would still like to lead the sort of life they had up to now, they can seek earnings from financial institutions for loans. So they mortgage their existing home or other acceptable property and receive a lump-sum amount from the bank; upon the death of the owner the bank takes over the mortgaged property. This type of reverse mortgage is new in the present market scene in Bangladesh. Because of its newness, it does not encourage trust and faith, and it shows signs of confusion due to its procedures. At present, there is no approved reverse mortgage mechanism in Bangladesh.

Options for Bangladesh

Considering the present pension scenario, Bangladesh should take the following measures into consideration.

(1) Bangladesh should expand the contributory pension system for private sector employees and self-employed persons. Given the large share of informality in employment (close to 90%), this may be a medium-term option for Bangladesh.
(2) The coverage of the social pension (e.g., the OAA) could be increased from the current rate of 30% to equate with the extent of vulnerability (i.e., 56%). This would reduce inclusion and exclusion errors as well as bring a large segment of the elderly population under the system.
(3) The monthly transfer amount should be enhanced to the level of the lower or upper poverty lines to restore adequacy and must be inflation-indexed to preserve its real value.
(4) There is a need to modify the current poverty-targeted social pension to a universal minimum pension, with the exception that individuals covered by contributory pension schemes are excluded. This is preferable to using a means-tested scheme, as it saves on costs and is easier to implement.

3.3 Pension Approval Processes in Bangladesh

In Bangladesh, there is no dedicated authority for pensions. Manual processing and pension case preparation involve huge involvement and wastage of human resources and are liable to errors of omission and commission. Pension preparation, issuance of pension payment orders (PPOs) and payments include all powers vested with

Table 7 Number of pension payment points and payments

Pension payment points	%	Pension payment (taka)
Banks	60	6,874
CAOs of ministries	3	8,216
Divisional account offices	2	7,096
District accounts offices	10	6,913
Upzila (Subdistrict) accounts offices	25	6,587

AOs (account officers), with no checks and balances and functional separation. Pre-retirement processes by the DDO/HOD are manual, lengthy, and extremely cumbersome and require superfluous and redundant documents. Generation of PPOs involves purely manual processes including calculation and FR (File/financial record), and they are issued manually without unique code numbers/verification. Additionally, the procedures related to service books/records may include a lack of security and lack of knowledge/importance of maintenance.

The whole pension payment process is costly, non-friendly and extremely cumbersome. Most pensioners need to physically travel every month to the CAO, AO, banks, etc., to collect pensions. The processing is conducted by banks for different Line Ministries (LM). As such, the reimbursement claims go from bank to LMs and vice-versa. The process becomes lengthy due to the multiple LM accounting heads for pension payments. Additionally, there are no LM accounts for proper budgeting, no LM has details of pensioner counts (no more their employees) and many LMs do not even have enough budgets for pension payments. The cost of payment to pensioners becomes high because of several payment points and heavy commission to banks, and banks lack in knowledge, capability, and capacity to handle pensions (Table 7).

Some deficiencies in this process are as follows:

- Redundancy of welfare officers.
- Lack of a mechanism for monitoring pension cases at the district, division, and line ministry levels.
- Lack of accountability and responsibility on the part of various officials at different levels.
- Simplification of Pension Rules, 2009 for resolving Procedural Delay not strictly followed.
- All powers are vested with AOs with no division of rights and responsibilities.
- No authority to take the overall responsibility for pension implementation.
- Nonexistence of dedicated authority/agency for pension system implementation.

It is important to note that there is only one legal institution that is involved in the disbursement of pension funds to incumbents in the public sector: the state-owned Sonali Bank, which works as a treasury of the central bank. In the public sector, it is further imperative to state that there is no centralized designated agency that is involved in the accounting process and the data maintenance of the incumbents. The government offices calculate the pension recipients' accumulated pension and then it lodges this information with Sonali Bank that then engages in disbursement of the same, and here definitely discrepancies and anomalies might occur.

The government has taken the initiative to digitize the pension system since 2021, which is said to be easier and more accurate. Under the digitized system, pensioners will receive the money through an electronic fund transfer (EFT) and verify their accounts through a mobile phone-based app every six months. The new system will immediately replace the existing manual pension arrangements.

3.4 Systemic Reforms in Pensions

As a part of systematic reforms in pensions, a dedicated pension office has been established at the office of the CGA. This office is solely responsible for (i) the issuance of PPOs and the monitoring of pension cases at DDOs, (ii) ensuring payment at the bank/AO, and (iii) generating MIS at the central level with the provision of unified numbers and a central repository.

The major systematic reform in pension took place in 2016 through the creation of the Centralized Pensioners Database. The database is linked with national identification (NID), mapped to PPOs and banking accounts and mobile numbers. The employee database created has a unified payroll account that uses the employees' database and maps employees to NID (2015). It helps to create proper planning, budgeting, and forecasting for expenditure. Additionally, the unique ID and system-generated PPOs (electronic PPO) helped in tracking and avoided leakage and duplication. However, at the initial stage of data entry, there is a possibility of ghost pensioners, leakages, and double dipping, leading to a drain on resources. To avoid harassment for pension beneficiaries, the pension approval process was simplified, and a circular issued in 2018.

The automated centralized pension processing made the accounting and payment system linked with iBAS++ and decentralized payment points at the front end. Here, pension processing includes the processing of pension cases (Final report), the generation and issuance of PPOs, etc. Pension accounting includes budgeting and accounting (single head with FD), and family pension (single head with FD) and pension payment systems (Kashem, 2020). The manual pension processing and payment system used to incur huge involvement and wastage of human resources, liable to errors of omission and commission. A diagrammatic linking of the central processing, accounting and payment system with different offices using iBAS++ is shown in Fig. 4.

In addition, some strategy-level improvements have been made as systemic reforms in pensions. These include:

- The option for full commutation, leading to zero pension in old age, was abolished (2016).
- Restoration of pension 15 years after retirement as old age income security (2018).
- Introduction of annual increase of pension amount (2016).

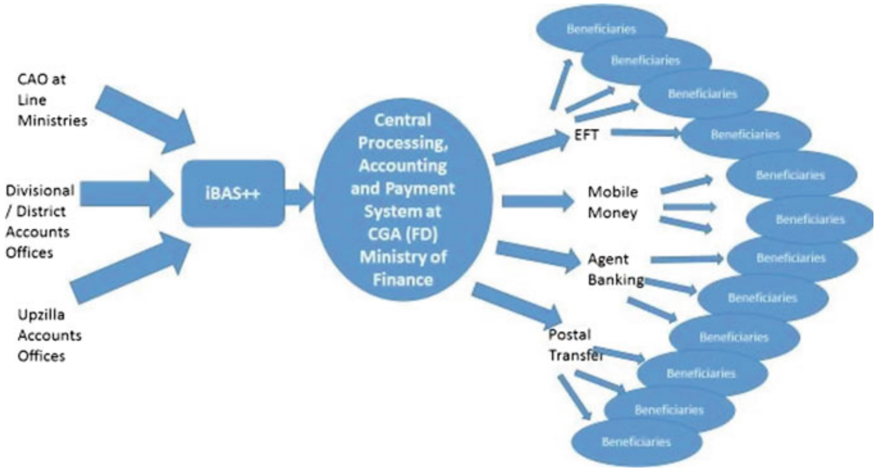

Fig. 4 Linking of the central processing, accounting, and payment system iBAS++

- Some protection from inflation and eroding purchasing power.

To reform the payment system, the EFT for pensions was introduced by (a) extensive use of the banking system, (b) introduction of decentralized multiple payment points, and (c) receipt of credit in individual pensioners' accounts with SMSs. In this process, the pension budget was brought under the single major accounting head of the Finance Ministry. Therefore, no Ministry accounts for proper budgeting/number of pensioners or amounts, as they are no longer their employees. Additionally, multiple accounting heads for pension payments for all ministries were abolished.

3.5 Strategic Reforms in the Pension System of Bangladesh

The notable strategic reforms in the pension system of Bangladesh are as follows:

- Pension Office established at the office of the CGA. It is responsible for the issuance of PPOs and the monitoring of pension cases at DDOs ensuring payment at the bank/AO.
- Generate MIS at the central level with the provision of unified numbers and a central repository. All powers are vested with AOs with no division of rights and responsibilities, no authority to take the overall responsibility of pension implementation and nonexistence of dedicated authority/agency for pension system implementation.
- Strategy Level Improvement includes the following: Option of full commutation abolished (full commutation leading to zero pension in old age), restoration of pension after 15 years from retirement (old age income security), annual

increase of pension amount introduced (some protection from inflation and eroding purchasing power).
- Procedural improvement includes Unique ID, system-generated PPOs (Electronic PPO) introduction for tracking, leakage and avoiding duplication, Pension approval process simplified and circular issues (harassment for pension beneficiaries).
- EFT for pensions introduced to extensively use banking system, decentralize multiple payment points, pensioners receive credit in individual accounts with SMSs.
- The pension budget under a single major accounting head of the Finance Ministry includes the following: no ministry accounts for proper budgeting/number of pensioners or amounts as they are no longer their employees and multiple accounting heads for pension payment for all ministries abolished.

4 Public Policy Issues of Importance

4.1 Budget and Pension Expenditure in Bangladesh

An unfunded defined pension financial scheme is mostly followed in Bangladesh. An unfunded pension plan is an employer-managed retirement plan that uses the employer's current income to fund pension payments as they become necessary. This contrasts with an advance-funded pension plan where an employer sets aside funds systematically and in advance to cover any pension plan expenses, such as payments to retirees and their beneficiaries. Unfunded pension plans do not have any assets set aside, meaning that retirement benefits are usually paid directly from employer contributions. Additionally, pay-as-you-go (PAYG) retirement accounts can be set up by companies or the government. It is the largest component of the Social Protection Budget and accounts for less than 10% of the recurrent expenditure, 5% of the total expenditure and 1% of the GDP in Bangladesh. Table 8 enumerates the last decade's pension expenditures in Bangladesh.

4.2 Taxation and Tax Exemption on Pension Income

In Bangladesh, private employees are set to face a heavy tax burden from the next fiscal year, 2020–2021, as the national budget proposed the imposition of tax on their gratuity receipts after retirement or completion of service if their employers do not obtain approval for the funds from the National Board of Revenue (NBR). The revenue board usually allows tax exemption on income up to 2.5 crore taka ($2.94 million by private employees from their employers as retirement or termination benefits. Now, employees will have to pay income tax at a rate of up to 25% on their

Table 8 Recent pension expenditures in Bangladesh

Year	Pension expenditures (in billion taka/US $)
2017–18	147.13 taka ($1.73 billion)
2016–17	155.20 taka ($1.83 billion)
2015–16	104.55 taka ($1.23 billion)
2014–15	71.29 taka ($0.84 billion)
2013–14	54.08 taka ($0.64 billion)
2012–13	60.32 taka ($0.71 billion)
2011–12	63.77 taka ($0.75 billion)
2010–11	56.27 taka ($0.66 billion)
2009–10	43.95 taka ($0.52 billion)

gratuity income, considered as lifetime savings of private employees, as they do not have pension benefits (Uddin, 2020).

The Finance Act 2020 restricts the prior tax exemption (under the Income Tax Ordinance 1984) on all employer-provided gratuity payments of up to 25 million taka ($290,000) to only those payments made by the government or from a government-approved gratuity fund (De, 2020). The government's intention is to encourage private employers to establish separately managed trusts for the funding of their gratuity payment liabilities. The Labor Act (2013) requires employers to provide a defined benefit lump-sum gratuity payment at the end of an employee's service, at 30 days' pay per year of completed service for individuals with under 10 years, or 45 days' pay per year of completed service for those 10 or more years.

4.3 Future Reforms

For future reforms for the integration of the twin database (i.e., Employee and Pensioner), the following considerations are considered:

- Demographic changes.
- Large recruitment in past years.
- Pay hikes have increased government expenses and pension entitlement.
- Retirement benefit tilted towards heavy lump-sum gratuity payments.
- Life expectancy has increased considerably to 72 years.
- Regular higher amount of monthly pension matched with inflation.

4.4 Fiscal Sustainability

- 1998–2008: Compounded Annual Growth Rate (CAGR) 13.45%.
- 2010–2015: Astronomical Growth of 23.75% (CAGR).

- Recent changes in pension entitlement—growth in retirement benefits outpace growth of revenue earnings.
- Pension payment from 2016–17 to 2025–26 at a CAGR of 33.42%.
- Implicit Pension Debt at 10% discounting rate is 27% of GDP.

In conclusion it can be said that the current DB system is neither fiscally sustainable nor actuarially fair. The benefit of an integrated payroll system with an employees' database will improve fiscal planning for short-, medium-, and long-term expenditures. Forecast projections for salary and pension expenditures and assessing the impact of parametric and/or systemic reforms to salary and pension benefits is of paramount importance. A draft plan for universal pension and civil service pension reform waits for consideration by a new Cabinet.

4.5 Universal Pension Scheme: New Approaches by the Government

As a developing country, Bangladesh has recently opted for a great step on the pathway to communal welfare which is to be known as the "Universal Pension Scheme." The government is planning to implement this universal pension scheme within 2023. Bangladesh is now enjoying a demographic dividend and the gap between working and retired people will increase day by day. The average life expectancy of Bangladeshis today is 73 years, which is expected to be 80 years in 2050 and 85 years in 2075. This means that in next three decades Bangladeshis will live for 20 years after retirement (Khondker and Razzaque, 2019, Rashid, 2019).

Today the dependency ratio of old people is 7.7%, which is expected to be 24% and 48% respectively in 2050 and 2075. Considering the increase in life expectancy and dependency ratio this universal pension scheme is very important. To promote social security, the government has taken this initiative to provide pensions for all. This shows both economic strength and a visionary mindset to become a part of a developed societal structure. To ensure the success of this project for the social security of citizens, all the necessary legal measures of international standards will be maintained. The process should be scrutinized by a separate authority so that no one can misuse the money of the scheme. The main features of the proposed pension scheme are as follows:

- All Bangladeshi working citizens between the age of 18–50 years (based on national ID) are eligible for this scheme. Initially this scheme will be voluntary but will be made mandatory in future.
- The pensioners will enjoy this scheme till their death (lifetime). At the age of 60 (prescribed) the subscribers will start receiving the pension based on accumulated amounts including the profit.
- Largely, pensioners will be required to provide a regular minimum subscription for minimum 10 years to avail themselves of pension benefits.

- At first the employees of public and autonomous bodies will be out of this scheme.
- Every eligible citizen will have a unique single pension account, so that even if they change job the scheme will be the same. However, the amount of subscription will be decided as per salary and other factors (the amount should be more than the minimum amount of subscription).
- Organizations can also take part in the scheme. In this case, subscription fees will be decided by the national pension authority.
- Nonresident Bangladeshis can also participate in this scheme by providing subscription fees on a quarterly basis.
- Installment amounts of subscription fees will be decided by real situations, law, and practice. The pension authority will ensure maximum returns on deposits.
- All subscribers of this scheme will need to pay the minimum amount to their scheme account on a yearly basis, otherwise the account will freeze. The account can be resumed on payment of late and missed subscription fees.
- If anyone dies before 75 years, their nominees will get the remaining amount (up to the age of 75 of the subscriber).
- If anyone dies before completing 10 years of subscription payment, the deposited amount will be provided to nominees with profit.
- The accumulated amount in the account of a pensioner cannot be withdrawn at one time. But the subscribers of this scheme can avail themselves of loans up to 50% of the total amount paid including interest (on request).
- The subscription amount can get investment tax exemption. The monthly pension amount will be income tax free.
- The government can give subscriptions to citizens earning below the minimum income level.
- The government will bear all expenses of the pension authority.

5 Legal or Regulatory Framework of Pension Schemes in Bangladesh

5.1 Historical Perspective

There is no law providing for a comprehensive pension system for elderly people in the country's private sector, such as with those in the public sector. Implementation of the scheme may not begin shortly as the law and other related regulations will have to be passed by parliament. The Bangladesh government sought to make a law in 2015 to introduce a mandatory pension scheme for private sector employees. It was aimed at helping the elderly people at the fag-end of their lives. However, the plan has not yet materialized. People familiar with developments say the matter lies with the Finance Ministry for a detailed study on how a voluntary pension system can be introduced in the formal and informal private sectors. The Planning Commission (PC) proposed it for enhancing the social safety net for the people in the country.

Bangladesh's regulatory framework for the pension system dates to 1871, when the Indian Pension Act was passed to give native employees the British government pension upon their retirement (Appendix 2). This Act was carefully crafted to fit with the peculiar situation of British India. It provided no system at all for the people in general or to form the basis for a modern pension system. Pension issues are settled according to the rules of the Public Servants (Retirement) Act, 1974.

In Bangladesh, the pension system is an agreement between the government and employees. It is a financial security for employees when they enter retirement. The employees contribute to the pension scheme while working and can avail themselves of the fund of monthly income after their retirement. However, the fund is further contributed to by the government according to the payroll policy of the country. Furthermore, there is an interest calculation on the pension fund. This pension system is reviewed yearly according to the employee's service book. There is an instruction to update the service book of the employees within the month of February of each year (Finance Ministry).

5.2 *Simplified Family Pension Rules 2020*

The Government of Bangladesh Finance and Revenue Department simplified family pension rules by an order in 2020. A government servant after completion of five years becomes eligible to nominate his or her family members to receive any gratuity that has not been paid to the government servant before his/her death. In the case of nominating more than one person as a nominee, the amount of share payable to each nominee will be as per his/her specification during the time of nomination. However, any government servant holds the right to cancel any nomination previously made by writing to the appropriate authority along with a fresh nomination list. If no nomination in favor of a member is made before the death of the government servant, then the fund will be payable to family members except (i) son (25 years), (ii) grandson (18 year) (iii) married daughter and married granddaughter, whose husbands are alive. When the government servant leaves no family, the amount of gratuity shall be payable to the following surviving relatives:

(1) Brother below the age of 18 years.
(2) Unmarried and widowed sisters.
(3) Father and mother.

In the case of an adopted child, he/she will be considered a child when the adoption is legally recognized. If the government servant had more than one wife and the number of surviving widows and children does not exceed four, then the pension will be equally divided among the surviving widows and children, excluding sons above the age of 25 years and married daughters.

6 Overview of Financial Rules and Regulations

The government has introduced several financial rules and regulations for the benefit of the people of the country. These rules and regulations are summarized below:

1. **The Government and Autonomous Bodies Employees Benevolent Fund and Group Insurance Ordinance, 1982**
   The ordinance consolidates and amends the law/rule relating to the benevolent fund and group insurance of the persons in the service of the country and certain autonomous bodies. The two funds and a board known as the "Board of Trustees of the Government and Autonomous Bodies Employees Benevolent and Insurance Fund" have been established by the government under the provisions of this ordinance for carrying out its purpose.

   A government servant must pay a certain amount of money as a premium/contribution to these two funds. Benefits in certain cases are given to an employee or his/her family from the benevolent fund. Special grants are also paid to the employees from this fund, e.g., for the marriage of a daughter, scholarships for study and extreme financial distress. In the case of death while in service, the family of a government servant receives one lump-sum payment from the group insurance fund.
2. **The General Provident Fund Rules, 1979**
   A government servant after two years of service and until the attainment of 52 years of age must contribute to the General Provident Fund (GPF). However, contribution to the GPF is optional up to two years of service and after 52 years of age until the date of retirement. Employees in service abroad or on deputation must continue contributions in the same manner as being in regular service in the parent organization. The relevant audit office maintains the account of each contributor separately, and the compound rate of interest is calculated on the yearly balance of the deposits of everyone.

   A refundable advance can be paid in certain installments, up to a certain limit of his/her deposit on approval from the relevant authority on grounds such as house building and repair, the purchase of land, performing Hajj in the case of a Muslim employee, marriage, and other religious functions. A government servant can withdraw all his deposits in the GPF along with the interest at the time of retiring from service or if the incumbent resigns or leaves the service on medical grounds.
3. **Pension and Gratuity Rules**
   When a government employee retires after serving in the government for a certain period of years, he/she receives a monthly emolument for his/her maintenance or that of his/her family during the remaining period of life. A government officer must apply for the pension in a prescribed form to the approving authority along with all related papers/documents as required by the rules. In the case of non-gazette staff, the head of the office will examine the Service Book and ensure that the entire period of service is duly verified before sanctioning the pension. An amount equivalent to one year's basic salary is allowed to an

employee, as a lump-sum grant provided that one year of earned leave is due to his/her credit after allowing the desired LPR.

A government servant or his/her family is entitled to various types of pensions depending on the circumstances, e.g., compensation pension, invalid pension, superannuation pension, retirement pension, family pension, etc. At least 10 years of service is required before allowing a pension to a government servant, and the amount of pension varies depending on the pensionable service length. According to Rule 300 (a) of the Bangladesh Service Rules, if a person resigns from government service or is dismissed or removed from the service due to misconduct, bankruptcy, incompetence, or failure to pass the prescribed examination, his/her job is considered forfeited. In such cases, the government will have the right to withdraw his/her pension or keep it in abeyance either in part or in full until the appeal, if any, by the incumbent is considered. However, Rule 300 (b) says that if someone resigns for the purpose of joining any other pensionable job, it will not be considered as resignation from government service.

However, recently, the High Court declared that part of Rule 300 (a) of the first part of the Bangladesh Service Rules (BSR) regarding nonreceipt of pension due to resignation from service conflicts with the Constitution. Voluntary resignation from government services prior to completion of 25 years of service shall not disentangle the person from his or her entitlement to pension benefits.

4. **Charge Allowance Rules, 1982**

According to this rule, a government employee will obtain a charge allowance when he/she is authorized in addition to his/her own charge to hold an additional charge of an office equivalent to his/her office or a higher office. A person holding a lower post and transferring to a higher post on a temporary basis is on current charge. The holding of a current/additional charge is discouraged by the government. A person must hand over the charge of the present post/office when he/she is authorized to take up the current charge of a higher office. The current charge of an incumbent is not a promotion/or a new appointment as such, and one cannot claim pay-scale and other privileges/benefits allowable for being in the post, but one can claim the charge allowance. The charge allowance rules are applicable for posts in both revenue and development budgets.

5. **Festival Allowance Rules, 1988**

During every Eid Festival, Muslim employees are allowed to draw an allowance amounting to one month's basic salary, which is equivalent to the salary drawn in the previous month. The members of other religions employed in the service also receive a festival allowance amounting to two months of basic salary in one installment during their main religious festival. A gazette officer will not receive a festival allowance if he/she draws a recreational allowance in a particular fiscal year. Employees on LPR are also entitled to receive this allowance, but not those who are in full retirement. Employees who are in work-charged establishments and drawing pay on a regular scale will also receive a festival allowance under this rule.

6. **Treasury and Subsidiary Rules**
   The procedures for the deposit and withdrawal of money to and from the Government Exchequer are controlled by these rules. They have three parts:
   Part 1 contains the "The Treasury Rules" commonly known as TRs. The TRs are the principal rules guiding the procedure for deposit and withdrawal.
   Part 2 contains "The Subsidiary Rules" or SRs. The SRs are rules that describe the detailed procedures for the TRs.
   Part 3 contains related executive instructions, executive orders, appendices, and forms.
   The TRs are approved by the President due to their importance in the application of the financial management system. The Finance Ministry issues SRs. The Executive Engineers of the Road Divisions in the Roads & Highways Department (RHD), having drawn and disbursement powers, often come across and deal with these rules while discharging their duties with respect to financial matters.
7. **General Financial Rules**
   The procedures for spending money from the Public Fund are governed by the General Financial Rules. Unless any specific procedures are mentioned in the CPWA & CPWD codes, the procedures as laid down in the GFR are applicable to the RHD.
8. **Accounts Code Volumes (I to IV), Audit Code, Audit Manual**
   The four volumes of the Accounts Code are as follows:
   Volume 1: Contains details of the functions of the Comptroller and Auditor General of Bangladesh in relation to Government Accounts and the main directions issued by him for general principles and methods of accounting.
   Volume II: Contains the directions issued by the Comptroller and Auditor General relating to initial accounts kept by the Treasuries (Thana) and District Accounts Officers. It also describes the form in which accounts are to be rendered by them to the Audit and Accounts Officer.
   Volume III: Contains Comptroller and Auditor General's directions regarding the initial and subsidiary accounts kept by the Public Works and RHD Officers and accounts submitted by these officers to the Audit & Accounts offices.
   Volume IV: Contains instructions to the form in which accounts must be kept in the Accounts office, under the control of the Comptroller and Auditor-General and the procedure to be adopted in keeping them. The instructions relating to the preparation of certain pro-forma accounts of the RHD have been included in this volume.
   Audit Code:
   The principles and basic features of auditing the government offices by the representative of the Comptroller and Auditor General are contained in this Code.

Audit Manual:

The manual contains the detailed procedures and instructions for auditing government offices and departments by the representative of the Comptroller & Auditor General.

9. **Central Public Works Accounts Code**

The rules contained in the Central Public Works Accounts Code primarily describe the financial methods and procedures to be observed by Public Works Offices in dealing with transactions specifically relating to Public Works and in keeping and rendering accounts of such transactions supplementary to the rules that are contained in the CPWD code, the General Financial Rules, and the Treasury Rules of the Government. The officers of the RHD, particularly the divisional officers (EE), are required to follow the rules under this code while incurring expenditure of public funds and making accounts for the same under different heads of accounts. This code is supplemented by a book of forms that is used for maintaining accounts in divisional offices.

10. **Central Public Works Department Code**

The Central Public Works Department Code contains rules and procedures to be followed when giving technical and financial sanctions and approvals. This Code is intended to define the scope and functions, with respect to financial matters, of a Public Works Department (PWD) in particular. The previous PWD was named the Communications and Buildings (C&B) department, which was divided into two separate departments, namely, the PWD and RHD, and hence, the CPWD Code is also applicable to the RHD. The code is divided into six sections:

Section I: Introduction

Section II: Establishment and Miscellaneous

Section III: Duties of Officers of Public Works Department

Section IV: Works

Section V: Building

Section VI: Stores

Together with other accounting procedures, practices, and methods to be applied, this code contains rules and general procedures for project works:

1. Administrative approval.
2. Technical sanction.
3. Expenditure sanction.
4. Appropriation of funds.
5. Estimates.
6. Deposit works.

It also describes the duties and responsibilities of officers while dealing with financial and accounting matters relating to the establishment, for example payrolls. The levels of financial authority of the RHD are subject to review as the need arises.

7 Summary, Conclusions and Recommendations

Pension funds play an important role in instilling motivation and perhaps also in reducing job migration. Having a pension scheme adopted for the entire population will, if not totally eradicate poverty, help alleviate it by enabling people to support themselves in their old age instead of being dependent on financial support from the working population. Enabling the entire workforce pertaining to both the private and public sector to benefit from a secured future by necessitating both government bodies and private sector employers to establish pension schemes is an urgent need for the government if it wants the nation to develop.

With the present pension scheme status of Bangladesh, it can be stated that most of the current workforce, both in the private sector and public sector, are not going to benefit from the pension schemes that are prevalent in the country unless reforms are made and implemented in securing pensions for them. The reforms set in the pension schemes in 2006 have focused on and tried to implement the usage of national identification cards to ensure that deserving recipients instead of ghost recipients benefit from pension funds, but more scientific reforms are needed. Distinctions also need to be considered when speaking of the workforce as it needs to be broken down into its various constituents.

First, what must be laid out is the economic and demographic scenario pertaining to the nation at present. The nation is fast moving from being mainly an agrarian economy to an industrial and service-oriented economy, especially when it will be graduating from the LDC category to the developing category in 2024. Having stated this, the second point that needs to be recognized at this stage is the fact that close to 37.75% of its working population is still invested in farming, while 87% of civilian employment is in the private sector and 13% in the government sector (World Bank, 2020). It is also important to clarify why the pension scheme needs to be broadly spread over the whole economy.

Despite growth in most of the financial indicators, the per capita income of the country is still low ($2,000+, PPP $5,400+). The disposable income of a household would be more focused on the purchase of consumer goods or business setups if it was not to be used for elderly care, which could then be if not fully but partially supported using pension funds retrieved from the workplace of the elderly, leading to the building of a stronger economy. It will set the country toward a better future by securing its aging population, thereby reducing the dependent population only to the number of those who are specially gifted and to children in society.

To establish social security, the fundamental responsibility provisions of the constitution and traditional wisdom should be taken into consideration. Traditional wisdom tells us that a pension is “the fortune of those who have no fortune.” In a country where most people live in poverty, a capacious pension system is needed to give them the blessings of a "fortune." Furthermore, in considering the essentiality of pensions, Article 15(d) of the constitution can be interpreted to cover a pension as a basic human right. This can help introduce compulsory private pension funds by assimilating largely utilitarian commercial fund management with the philosophical foundations underlying human rights law. Given this, the state can design and ensure a pension system universally accessible to every citizen and based on traditional wisdom and human rights.

Recommendations

The following issues need to be taken into consideration regarding pension systems in Bangladesh.

Bangladesh should expand the contributory pension system for private sector employees and self-employed persons. Given the large share of informality in employment, this may be a medium-term option.

The coverage of the social pension could be increased to equate with the extent of vulnerability. This would reduce inclusion and exclusion errors as well as bring a large segment of the elderly population under the system.

The monthly transfer amount should be enhanced to the level of the lower or upper poverty lines of 2016 to restore adequacy and must be inflation-indexed to preserve its real value.

There is a need to modify the current poverty-targeted social pension to a universal minimum pension, with the exception that individuals covered by contributory pension schemes are excluded. This is preferable to using a means-tested scheme, as it saves costs and is easier to implement. Such systems operate in Kyrgyzstan, Moldova, Thailand, and Vietnam (for government pensions).

Establishment of quality authorities to oversee the pension system of Bangladesh. This will ensure proper management of pension funds.

Most of the pension funds in Bangladesh are deposited in banks. However, the banking sector in Bangladesh faces many different challenges. Therefore, different product options, such as bonds and mutual funds, need to be introduced. Regulatory directions for institutional investors to mobilize pension funds need to be outlined.

Most elderly people in Bangladesh are still unbanked. Most of them use to receive transfer payments but not for payment in real time. Greater financial inclusion is a prerequisite for the universal pension system in Bangladesh.

In the case of contributory pension schemes, low-income service holders will not be willing to make deposits in pension funds, so transforming the informal pension system to a formal system should become mandatory.

Appendices

Appendix 1: The Pensions Act, 1871 [8th August 1871]

An act to consolidate and amend the law relating to pensions and grants by government of money or land-revenue.

Preamble

WHEREAS, it is expedient to consolidate and amend the law relating to pensions and grants by government of money or land-revenue; it is enacted as follows:

I Preliminary

1. Short title: This Act may be called the Pensions Act, 1871.
2. Extent of Act: It extends to the whole of Bangladesh. [Repealed].
   [Repealed by the Repealing Act, 1938.]
3. Interpretation-section: in this act, the expression "grant of money or land-revenue" includes anything payable on the part of government with respect to any right, privilege, perquisite, or office.
   [Repealed]

3A. [Omitted by Sect. 3 and 2nd Schedule of the Bangladesh Laws (Revision and Declaration) Act, 1973 (Act No. VIII of 1973)].

II Rights to Pensions

4. Bar of suits relating to pensions: Except as hereinafter provided, no Civil Court shall entertain any suit relating to any pension or grant of money or land-revenue conferred or made by the Government or any former Government, whatever may have been the consideration for any such pension or grant, and whatever may have been the nature of the payment, claim or right for which such pension or grant may have been substituted.
5. Claims to be made to Collector or other authorized officer: Any person having a claim relating to any such pension or grant may prefer such claim to the Collector of the District or Deputy Commissioner or other officer authorized in this behalf by the Government; and such Collector, Deputy Commissioner or other officer shall dispose of such claim in accordance with such rules as the Chief Revenue-authority may, subject to the general control of the Government, from time to time prescribe in this behalf.
6. Civil Court empowered to take cognizance of such claims: A Civil Court, otherwise competent to try the same, shall take cognizance of any such claim upon receiving a certificate from such Collector, Deputy Commissioner or other officer authorized in that behalf that the case may be so tried, but shall not make any order or decree in any suit whatever by which the liability of Government to pay any such pension or grant as aforesaid is affected directly or indirectly.

7. Pensions for lands held under grants in perpetuity: nothing in sects. 4 and 6 applies to:

   pensions heretofore granted by Government in the territories subject to the Lieutenant-Governor of Bengal, either wholly or in part as an indemnity for loss sustained by the resumption by a Native Government of lands held under sanads (certificates) purporting to confer a right in perpetuity. Such pensions shall not be liable to resumption on the death of the recipient, but every such pension shall be capable of alienation and descent and may be sued for and recovered in the same manner as any other property.

III Mode of Payment

8. Payment to be made by collector or other authorized officer: All pensions or grants by government of money or land-revenue shall be paid by the collector or the deputy commissioner or other authorized officer, subject to such rules as may, from time to time, be prescribed by the chief controlling revenue authority.
9. Saving of rights of grantees of land-revenue: Nothing in Sects. 4 and 8 shall affect the right of a grantee of land-revenue, whose claim to such a grant is admitted by the government, to recover such revenue from the persons liable to pay the same under any law for the time being in force for the recovery of the rent of land.
10. Commutation of pensions: The Government may, with the consent of the holder, order the whole or any part of his pension or grant of money or land-revenue to be commuted for a lump sum on such terms as may seem fit.

IV Miscellaneous

11. Exemption of pension from attachment: No pension granted or continued by Government on political considerations, or on account of past services or present infirmities or as a compassionate allowance, and no money due or to become due on account of any such pension or allowance, shall be liable to seizure, attachment or sequestration by process of any Court in Bangladesh, at the instance of a creditor, for any demand against the pensioner, or in satisfaction of a decree or order of any such Court.

    This section also applies in Bangladesh to pensions granted or continued, after the separation of Burma from India, by the Government of Burma.
12. Assignments, etc., in anticipation of pension, to be void: All assignments, agreements, orders, sales and securities of every kind made by the person entitled to any pension, pay or allowance mentioned in Sect. 11, with respect to any money not payable at or before the making thereof, on account of any such pension, pay or allowance, or for giving or assigning any future interest therein, are null and void.
13. Reward to informers: Whoever proves to the satisfaction of the government that any pension is fraudulently or unduly received by the person enjoying the benefit thereof shall be entitled to a reward equivalent to the amount of such pension for the period of six months.

14. Power to make rules: 2[the] chief controlling revenue-authority may, with the consent of the government, from time to time make rules consistent with this act respecting all or any of the following matters:
    (1) the place and times at which, and the person to whom, any pension shall be paid;
    (2) injuries into the identity of claimants;
    (3) records to be kept on the subject of pensions;
    (4) transmission of such records;
    (5) correction of such records;
    (6) delivery of certificates to pensioners
    (7) registers of such certificates;
    (8) reference the Civil Court, under Sect. 6, of persons claiming a right of succession to, or participation in, pensions or grants of money or land-revenue payable by government; and generally, for the guidance of officers under this Act.

All such rules shall be published in the official Gazette and shall thereupon have the force of law.

Notes:

Throughout this Act, except when otherwise provided, the words “Bangladesh” and “Government” were substituted for the words “Pakistan” and “Central Government” or “the Provincial Government” or “appropriate Government,” respectively, by Sect. 3 and the 2nd Schedule of the Bangladesh Laws (Revision And Declaration) Act, 1973 (Act No. VIII of 1973).

The word “The” was substituted for the words “In each Province the” by Sect. 3 and the 2nd Schedule of the Bangladesh Laws (Revision and Declaration) Act, 1973 (Act No. VIII of 1973).

Appendix 2: Public Servants (Retirement) Act, 1974

Public Servants (Retirement) Act, 1974 an Act to consolidate and amend the law relating to the retirement of public servants and to provide for matters connected therewith. During British rule, the retirement age was set at 55 years, and in Pakistan it was raised to 60. Following the emergence of Bangladesh, the retirement age was set at 57 under the Public Servants (Retirement) Ordinance 1973 (Ordinance No. XXVI of 1973), which was later repealed by the Act of 1974 without affecting the retirement age of 57.

The law is applicable to public servants, i.e., a person who is, for the time being, in the service of the republic or of any corporation, nationalized enterprise or local authority. It also includes a person who, based on having been at any time in the service of Pakistan, purports to claim any right to employment in the service of the republic. The applicability of the law excludes those persons who are (a) members of the defense service, (b) teachers or employees of any university, (c) employed in or under a commission, committee or board set up for specific purposes, (d) contingent or work-charged employees or workers as defined in the State-owned Manufacturing Industries Workers (Terms and conditions of service) Ordinance 1973, and (e) elected or nominated under any law to hold any office.

Some of the basic features of the Act are as follows: (a) a public servant must retire from service on completion of 57 years of his/her age; (b) re-employment of a public servant in any manner in the service of the republic or of any corporation, nationalized enterprise or local authority is prohibited; (c) the prohibition for re-employment does not apply if it relates to any office specified in the Constitution of Bangladesh; (d) the President may in public interest employ a public servant on contract after his or her retirement.

One of the important features of this Act is the provision of optional retirement. Under this provision, a public servant may opt to retire from service at any time after he has completed 25 years of service by giving notice in writing to the appointing authority at least 30 days prior to the date of his intended retirement. The option thus exercised is final and cannot be permitted to be modified or withdrawn. Under the provision of optional retirement, the government is also vested with the authority to retire a public servant, without assigning any reason, if it considers it necessary in public interest to do so. This authority was accorded to the government by ordinance No. 1 of 1983 and made effective from 28 July 1983. The only condition is that the public servant, intending to opt for such retirement, shall have to give a notice in writing to the appointing authority at least 30 days prior to the date of his intended retirement.

The right of optional retirement given to the public servant is an unfettered right, and the appointing authority is bound to accept the option and has no legal scope to refuse to accept the option. Finally, the Act provides for withholding payment of retirement benefits to public servants in certain specified cases. Thus, if any judicial proceedings or any departmental proceedings are pending, instituted by the government or the employer, as the case may be, at the time of retirement of a public servant, he/she shall not be entitled to any retirement benefits. However, he/she will be entitled to the subscriptions to any provident fund and the interest thereon. The payment of any pension or other retirement benefits shall be subject to the findings of such proceedings.

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