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Policy Brief

Defence Pension: A Comparative Study of India, US and UK

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S*ummary*

The issue brief makes a comparative analysis of the defence pension systems in India, the United States and the United Kingdom. The purpose of the analysis is to sensitise the Indian policymakers about the systems devised and initiatives taken in the US and the UK in managing the defence pension and the possible lessons it may hold for India. The study assumes significance given the demand for India's defence pension reforms.

Introduction

Pension is an integral part of the armed forces' terms of engagement. It is widely viewed as an old-age income support for the services rendered by the military personnel for the nation's security. Defence pension is mostly a defined benefit scheme¹, though other systems are also followed by some countries. Considering that the armed forces personnel retire at a relatively younger age, the pension liability endures for a fairly long period, putting pressure on the government's budget. To maintain a fine balance between the need for retirement benefits for the defence personnel and the affordability of the pension expenditure, countries often devise their own system to decide who is eligible for pension, how much pension one gets and for what duration.

The issue brief makes a comparative analysis of the defence pension systems in India, the United States (US) and the United Kingdom (UK). The purpose of the analysis is to sensitise the Indian policymakers about the systems devised and initiatives taken in the US and the UK in managing the defence pension and the possible lessons it may hold for India. The study assumes importance given the demand for India's defence pension reforms from several quarters including the Chief of Defence Staff (CDS) who recently made a persuasive argument for controlling India's ballooning expenditure on defence pension.²

Part I: India

With approximately 1.4 million personnel on active duty, India has the second-largest standing defence force in the world after China. The terms of engagement of the personnel are such that, in the normal course, no one is discharged or retires from service without earning a pension.³ No wonder then that currently there are 3,235,370 defence pensioners, and approximately 55,000 pensioners are added every year.⁴

¹ In a defined benefits scheme, the beneficiaries get a pension as a certain percentage of their pay before retirement. On the other hand, in a defined contribution scheme, an employee contributes towards his/her pension.

² In his submission to the Standing Committee on Defence, the CDS had noted few steps being contemplated by the government to contain defence pensions, including the increase of retirement age of at least 30 per cent of personnel to 58 or 60 years and greater use of Short Service Commission for manpower requirements. See ["Demands for Grants 2020-21"](#), *Standing Committee on Defence*, Seventeenth Lok Sabha, Fifth Report, *Lok Sabha Secretariat*, March 2020.

³ This is largely on account of the increase in the minimum colour service in 1976 which ensured that generally the armed forces personnel do not retire/are not discharged from service without earning a pension.

⁴ The total number of pensioners includes 601,783 defence civilian pensioners. See ["Demands for Grants 2020-21"](#), p. 156.

Pension to the Indian armed forces personnel is governed by several rules, regulations⁵ and notifications issued from time to time to improve the pensionary entitlements. Apart from the improvements brought about in pursuance of the recommendations of the central pay commissions constituted by the government every 10 years, two important developments since 1980 have had a major impact on pension entitlements not only of the defence pensioners but also that of the civilians⁶, adding to the overall pension bill of the government.

First, the Supreme Court judgment of December 1980, in *DS Nakra & others vs. Union of India*, laid down the law that the past pensioners cannot be excluded from the purview of any improvements the government makes in the pension structure of its current employees. Consequently, pension of all past pensioners had to be revised by application of the so-called 'liberalised pension formula' which had earlier been introduced by the government for those retiring on or after March 31, 1979.⁷

Second, conceding a longstanding demand of the armed forces pensioners, the government introduced the one-rank-one-pension (OROP) scheme in November 2015, which envisages equalisation, to be undertaken every five years, of pension of all past pensioners with the pension of those retiring subsequently from the same rank and with the same length of service.

The first equalisation was carried out with effect from July 1, 2014, but the next equalisation due on July 1, 2019 is held up because of some complications in implementation, which are being examined by a committee constituted by the Ministry of Defence (MoD) in June 2019.

As the things stand today, there are about 40 types of pension, which are mainly sanctioned by the field offices of the Defence Accounts Department at Allahabad, Mumbai and New Delhi for the army, navy and air force, respectively. Pension is largely disbursed by the Defence Pension Disbursement Offices (DPDOs), which function under MoD's administrative control, and also by the commercial banks. The main types of pension and their salient features⁸ are as follows:

1. Service Pension, in most cases, is granted at the rate of 50 per cent of reckonable emoluments last drawn, subject to a minimum of Rs. 9,000 per

⁵ These include: (i) Pension Regulations for the Army (PRA), 1961, revised as PRA, 2008; (ii) Pension Regulations for the Air Force, 1961; (iii) Navy (Pension) Regulation, 1964; and (iv) Entitlement Rules for Casualty Pensionary Awards, 2008.

⁶ The central government employees, other than the armed forces personnel, are covered by the National Pension System (NPS) with effect from January 01, 2004. Under this scheme, they contribute towards pension from their monthly salary with a matching contribution from the government. The funds are then invested in earmarked investment schemes through Pension Fund Managers. The monthly payout on retirement is linked with the quantum of monthly contributions and the return on investment.

⁷ See **"Supreme Court of India in D.S. Nakara & Others vs Union of India on 17 December, 1982"**.

⁸ All these, and other types of pension are subject to several other terms and conditions as laid down in the relevant government orders.

month (p.m.). The minimum qualifying service to earn a pension is 20 years in case of Commissioned Officers and 15 years in the case of other ranks.

2. Ordinary Family Pension is granted at the rate of 30 per cent of reckonable emoluments last drawn, subject to a minimum of Rs. 9,000 p.m. (in case of natural death of the individual).
3. Special Family Pension is granted at a uniform rate of 60 per cent of reckonable emoluments last drawn by the deceased (in case the death is attributable to military service).
4. Liberalised Family Pension is granted at the rate of 100 per cent of the reckonable emoluments last drawn by the deceased to the families of personnel killed in war, war like operations, counter-insurgency operations, and encounter with terrorists, etc.
5. Disability Pension is granted at the prescribed rates, depending on the percentage of disability.
6. War Injury Pension consists of the service element, which is equal to the service pension, and the war injury element, which is related to the reckonable emoluments last drawn and the percentage of disability. Personnel who are retained in service despite the disability suffered because of the war injury also have the option to draw a lump sum compensation in lieu of the war injury element foregoing it at the time of subsequent retirement.

Because of the armed forces' unique terms of engagement and successive improvements made in the pension entitlements, the pension budget⁹ has shown a sharp increase over the years. Between 2005-05 and 2020-21, it has increased more than 10 times (accounting for nearly 30 per cent of the MoD's budget for 2020-21). This growth is far more rapid than the pace of increase in the overall budget and the capital outlay (see Table 1).

⁹ India's defence pension includes "Service pension, gratuity, family pension, disability pension, commuted value of pension, leave encashment, etc." in respect of three armed forces and defence civilian employees. See "**Demand No. 21: Defence Pensions**", Notes on Demands for Grants, 2020-2021, *Ministry of Finance*, Government of India.

Table 1. Defence Budget, Pension Budget and Capital Outlay

Year	MoD's Budget (Rs Billion)	Defence Pension (Rs Billion)	Pension as % of MoD's Budget	Capital Outlay (Rs Billion)	Capital Outlay as % of MoD's Budget
2005-06	969.52	124.52	13	343.75	35
2010-11	1,757.72	250.00	14	600.00	34
2015-16	3,100.80	545.00	18	858.94	28
2020-21	4,713.78	1,338.25	28	1,137.34	24

Note: Defence pension is inclusive of civilian defence pensioners

Source: Compiled from Demands for Grant (relevant years)

The growth in the pension outlay has raised some concerns because of its increasing share in the MoD's budget which seems to have impacted, albeit indirectly, the capital outlay of the defence services. There is, thus, a case for exploring ways in which the pension budget could be contained to free more resources for modernisation and other operational requirements.¹⁰

Part II: United States

The US has by far the largest outlay for the military pension in the world. In the financial year (FY) 2018, its expenditure on defence pension was \$59 billion, representing 10 per cent of the total expenditure of the Department of Defence (DOD). The pension was given to nearly 2.32 million pensioners.¹¹ During 2008-2018, the pension expenditure has increased by 29 per cent, in comparison to a seven per cent increase in the number of pensioners.¹²

To administer defence pension, the DOD runs three schemes, one each for the active duty retirees, reservist retirees and retirees with disability. Each scheme has its own eligibility criteria and formula for calculating pension. Except for the disabled retirees who may be eligible for pension irrespective of number of years in service, the

¹⁰ For a detailed discussion on issues of India's defence pension, see Laxman Kumar Behera and Vinay Kaushal, **"Defence Pension Reforms: Recommendations of the Past Committees and Commissions"**, *MP-IDSA Special Feature*, February 28, 2020.

¹¹ The number of pensioners include 1.47 million active duty retirees, 0.41 million reserve retirees, 0.12 million disability retirees and 0.32 million legal survivors. At the end of FY 2018, the US had a total manpower strength (both active and reserve excluding coast guard) of 2.10 million. See **"DoD Personnel, Workforce Reports & Publications"**, *Defence Manpower Data Centre*, US Department of Defence.

¹² Pension figures are taken from the Statistical Report on the Military Retirement System for fiscal years 2008 and 2019. *Office of the Actuaru*. US Department of Defence. DOD outlays from **"Historical Tables, Budget of the United States Government, Fiscal Year 2020"**, p. 79.

eligibility for pension for others is minimum 20 years of reckonable service.¹³ The pensionable service of 20 years is relatively high in comparison to a minimum eight-year service obligation from any member joining the military.¹⁴ The pension is calculated from the date of joining the service and the pay base at the time of retirement. The amount paid monthly is adjusted for inflation.

Four Methods for Pension Calculation

With several reforms undertaken since the 1980s, US's method of the calculation of defence pension has undergone several changes. Presently, there are four methods for calculation of pension for the active duty retirees: Final Basic Pay (FBP), 'High-Three', Redux, and Blended Retirement System (BRS). The FBP is applicable to those who joined the military before September 8, 1980. The pension is calculated by multiplying three factors: years of service, a multiplier of 2.5 per cent, and last monthly pay received. This method guarantees a pension equivalent to 50 per cent of the last basic pay for 20 years of services.¹⁵

The 'High-Three' method is applicable to those who joined the military between September 8, 1980 and January 1, 2018. The calculation formula is the same as in the FBP method except that the pay base in 'High-Three' is the average of the highest 36 months of the basic pay instead of last monthly pay.

The Redux method was introduced in the late 1980s as part of reforms to lessen pension liability. However, due to unpopularity, its compulsory applicability was scrapped for new entrants, with members already covered given a choice to either embrace the "High-Three" or remain within the Redux with an immediate cash payment of \$30,000.

The BRS was introduced in 2016. It is compulsorily applicable to all military personnel who joined service on or after January 1, 2018. The method combines the features of defined benefit and defined contribution schemes, with certain additional incentives. The defined contribution element was introduced to provide income support to over 80 per cent of personnel who do not get a pension because they leave the armed forces without completing the minimum pensionable service of 20 years.¹⁶

¹³ **"Military Retirement: Background and Recent Developments"**, *Congressional Research Service*, July 12, 2018.

¹⁴ Out of eight years, the compulsory period for active duty is much less (around 2-5 years). See **"North America: United States"**, *CIA World Factbook*, last updated April 16, 2020.

¹⁵ For a higher number of years of service, the pension amount increases proportionately. The pension for say 30 years of service will amount to 75 per cent of the last basic pay.

¹⁶ About 19 per cent of new entrants into the US military complete 20 years of active duty and hence retire with a pension. Among all new entrants, 17 per cent of enlisted and 49 per cent of officers retire with a pension. See **"Valuation of the Military Retirement System as of September 30, 2017"**, *Office of the Actuary*, US Department of Defence, p. 20.

For the defined benefit element, the calculation is the same as in 'High-Three' except that the multiplier is reduced from 2.5 per cent to two per cent, leading to a minimum pension of 40 per cent of last pay average, opposed to a minimum 50 per cent in the FBP. As regards to the defined contribution element, each service member in the BRS is automatically enrolled in an interest-bearing Thrift Savings Plan (TSP), which is akin to India's National Pension Scheme (NPS). The enrollment requires the member to contribute a part of his basic pay, with a matching contribution between 1-5 per cent from the government.

Apart from the above, the BRS offers a lump sum withdrawal of a part of pension, and a continuation pay as a mid-career retention incentive. The latter is paid to personnel who are into their 8-12th year of service and are willing to sign up for three more years.

Disability Pension

The military personnel discharged from service due to disability rated as 30 per cent or more are eligible for pension, regardless of years of service. For disability pension, a member can choose one of the two options. One, the longevity formula in which the pension is calculated by multiplying the years of service by a multiplier (2.5 per cent or two per cent depending on his/her date of entry into the military) and pay base (basic pay or High-Three, as applicable). Two, the disability formula by which pension is computed by multiplying the pay base by the DoD-determined disability percentage. The disability pension is capped at a maximum of 75 per cent of the basic pay and members are not eligible to receive the lump sum payment which is applicable in the BRS. Disability pension is also taxable with few exceptions for combat-related injury and certain other legacy factors.¹⁷

Accrual Budgeting

In 1986 the US military pension budgeting was moved from cash-based accounting to accrual accounting.¹⁸ The changed accounting system requires the US DoD to

¹⁷ As codified in the US law, the term 'combat-related injury' means "personal injury or sickness, which is incurred (1) as a direct result of armed conflict, (2) while engaged in extra-hazardous service, or (3) under conditions simulating war; or which is caused by an instrumentality of war." See Title 26, Section 104 of "[United States Code](#)", *Office of the Law Revision Counsel, US House of Representatives*. Tax on disability pension differs depending on the formula under which the pension is provided. Under the disability formula, tax is exempted if injury is combat-related, whereas under the longevity formula, tax is exempted on the portion exceeding what the pensioner would have otherwise received under the disability formula.

¹⁸ In cash-based accounting, a transaction is recognised when the cash is actually paid or received, whereas in accrual accounting transaction is recognised at the time when a decision is made that influences income or expenditure, regardless of when the cash changes hand. The accounting change to accrual system in the US resulted in an initial unfunded liability of \$529 billion to be amortised over

annually budget an amount needed for paying pension for the current lot of the serving military personnel when they retire. The provisioned amount is saved in an interest-bearing fund from which the pension is paid to all retirees. The accrual system is an important tool for the policymakers to comprehend not only the pension liability of a serving soldier but also the likely cost of any policy change pertaining to military end-strength, basic pay and pension formula.

Suffice it to say, due to accrual accounting the US Government has a fair idea of its total financial commitment towards all present and future pensioners. As of FY 2017, the present value of its said financial commitment was \$1,748 billion,¹⁹ based on, inter alia, the average life expectancy of retired armed forces personnel in various age groups.²⁰

Part III: United Kingdom

Among the three countries, the UK has the least number of defence pensioners. At the end of March 2019, it had 548,780 pensioners including 112,192 war pensioners.²¹ In 2018-19, its total expenditure on pension was nearly £5.5 billion, representing 14 per cent of the MoD's total spending in that year. In the last 10 years since 2009-10, the pension expenditure (excluding war pension) has increased by 23 per cent from £4.5 billion.²²

Like the US, the UK also follows accrual accounting for the purpose of pension. The government-appointed actuary annually evaluates total liabilities, the contribution of the employer and funding support required from the parliament. At the end of March 2019, the total pension liability of present and future pension amounted to £195.3 billion.²³ Like the US, the pension liability of the UK is also based on, inter

60 years through an annual contribution from the Treasury. The amortised period has since been revised several times, with FY2026 being the latest target for full amortisation.

¹⁹ **“Valuation of the Military Retirement System as of September 30, 2017”**, p. 5.

²⁰ At age 45, the approximate average age at which an active duty member retires with a pension, the life expectancy of a retired enlisted male and an officer of either gender is higher than the average American's by anywhere between 1-5 years, depending on gender and category (officer or other ranks). See **“Statistical Report on Military Retirement System: Fiscal Year 2016”**, *DOD Office of the Actuary*, July 2017, pp. 283-84; and **“Actuarial Life Table”**, *Social Security Administration*.

²¹ **“Armed Forces Pension Scheme (Including the Armed Forces Compensation Scheme): Annual Accounts 2018-19”**, July 25, 2019, p. 7; and **“War Pension Scheme Annual Statistics: 1 April 2009 to 31 March 2019”**, *UK Ministry of Defence*, June 27, 2019, p. 1. As on January 01, 2020, the UK had a total force strength of 192,160, comprising 144,030 Regular Forces, 36,940 Volunteer Reserve, 3,370 Gurkhas and 7,830 Other Personnel. See **“UK Armed Forces Quarterly Service Personnel Statistics”**, *UK Ministry of Defence*, February 20, 2020, p. 4.

²² **“Armed Forces Pension Scheme (Incorporating the Armed Forces Compensation Scheme): Annual Accounts 2018-19”**, p. 36; **“War Pension Scheme Annual Statistics: 1 April 2009 to 31 March 2019”**, p. 1; and **“Open Data Source Tables relating to Finance and Economics Annual Statistical Bulletin: Departmental Resources 2019”**.

²³ **“Armed Forces Pension Scheme (Incorporating the Armed Forces Compensation Scheme): Annual Accounts 2018-19”**, p. 43; and **“Health and Life Expectancies”**, *UK Office of National Statistics*. The life expectancy of UK's population is as of 2006-18.

alia, the average life expectancy (at age 60 and 65) of current and future pensioners. At the end of March 2018, the life expectancy at age 65 of the current pensioners is 21.9 years for male members and 23.5 years for female members. It is important to note that these expectancy figures are 3.1 years (or 2.4 years) higher than the average life expectancy of the UK's total male (or female) population.²⁴

Like India and, to a large extent, the US, the UK's defence pension is also a defined benefit scheme. Currently, it is managed by three broad schemes: Armed Forces Pension Scheme (AFPS), Armed Forces Compensation Scheme (AFCS) and War Pension Scheme (WPS). While the former is designed to provide income support for voluntary and regular retirement, the latter two are primary tools to compensate for disability and death caused by service.

AFPS

AFPS is the main pension scheme for the UK's armed forces personnel, including reserve forces in some cases. Depending largely on the date of joining, the AFPS is divided into three categories: AFPS 1975, AFPS 2005 and AFPS 2015,²⁵ which are also part of the UK government's continuous efforts to ensure the pension remains "affordable and sustainable and also fair to scheme members and the taxpayer."²⁶ Table 2 summarises some of the key features of these categories. As can be seen, there has been a significant change in the way pension is calculated in relation to salary. Besides, there are also major changes in normal pension/retirement age and Early Departure Payment (EDP).

²⁴ A life expectancy of, say 20 years, at a given age, say 60, mean that a person is expected to live to age 80. For the UK figures, see **"Armed Forces Pension Scheme (Incorporating the Armed Forces Compensation Scheme): Annual Accounts 2018-19"**, p. 43; and **"Life Expectancy at 65"**, *Organisation for Economic Co-operation and Development*.

²⁵ For the details of the schemes, see **"Armed Forces Pensions: Guidance"**.

²⁶ **"The Armed Forces Pension Scheme 2015: Your Pension Scheme Explained"**, *UK Ministry of Defence*, p 4.

Table 2: Key Features of AFPS

Feature	AFPS 1975	AFPS 2005	AFPS 2015
Minimum Qualifying Service for Pension (Years)	2	2	2
Pension Calculation Linked to	Pensionable Earning (for senior officers); Final Rank & Length of Service (for others)	1/70 th of Final Pensionable Earnings ²⁷	Career Revalued Average Earning @1/47 th of pensionable earnings of each year
Immediate Pension (qualifying service)	16 years for officers; 22 years for others	N.A.	N.A.
Maximum Pension (At Age)	34 years for Officers; 37 years for Other Ranks	40 years for both	No maximum
Early Departure Payment (EDP) ²⁸ (qualifying service and/or age)	N.A.	18 year of service and at least 40 years of age	20 year of service and at least 40 years of age
Normal Pension/Retirement Age (Years)	55	55	60
Deferred / Preserved Pension ²⁹ (Age)	60/65	65	State pension age (68) ³⁰
Resettlement Grant (As of April 2018) ³¹	£15,813 (Officers); £10,808 (Other Ranks)	£11,101	£11,101

Source: [“Armed Forces Pension: Guidance”](#), UK Ministry of Defence.

WPS

WPS is a kind of disability pension scheme that compensates for injury, illness and death caused or made worse by the service in the armed forces from the beginning of World War I to April 5, 2005.³² It is a ‘no-fault’³³ and tax-free scheme.³⁴ The scheme

²⁷ As per this, a person retiring after putting in 25 years of service and with a final annual salary of £30,000, will receive an annual pension of £10,714 (30,000 x 25 x 1/70).

²⁸ EDP is a payment made to a member who has retired before the normal pension age but meets the minimum qualifying age and service criteria.

²⁹ Deferred/preserved pension is a pension paid after a predefined age to the ones who leaves armed forces before the normal retirement age.

³⁰ State pension age is the earliest age at which one can claim state pension and is based on date of birth and gender. Recently, the UK Government has proposed to increase the state pension age to 68 years. See [“Proposed New Timetable for State Pension Age Increases”](#), UK Department for Works and Pensions, July 19, 2017.

³¹ The grant is paid to certain retirees who are otherwise not eligible to other benefits, to enable them to settle into civilian life. See [“Armed Forces Pensions: Guidance”](#), UK Ministry of Defence.

³² [“War Pension Scheme Annual Statistics: 1 April 2009 to 31 March 2019”](#), UK Ministry of Defence, June 27, 2019, p. 1.

³³ In a non-fault pension scheme, there is no requirement of admission of fault by the paying authority.

³⁴ [“Support for UK Veterans”](#), Briefing Paper No. 7693, UK House of Commons, November 05, 2019, p. 42.

allows two types of awards depending on the nature of disability: a lump sum payment for disability of less than 20 per cent and a regular pension paid for disability of more than 20 per cent.³⁵ Rates of war pension and related allowances are set by the government on an annual basis. For 2020, the war pension varies from £168 per month for 20 per cent disability to £839 per month for 100 per cent disability.³⁶ As of March 2019, 112,192 members, including 14,626 war widow(er) s, were in receipt of a war pension. Total amount spent on them amounts to £697.3 million in 2018-19.³⁷

AFCS

The AFSC replaced the WPS as the principal compensation scheme for injury, illness and death caused by the service, on or after April 6, 2005. There are two types of compensation awards under the scheme: a tax free lump sum payment for pain and suffering; and a tax-free, index-linked monthly Guaranteed Income Payment (GIP).³⁸ The lump sum payment, depending on the nature of injury, varies from £1,200 to £570,000. The GIP is awarded to those who are discharged with grievous injury. Various factors including the member's future income earning capability is taken into consideration. GIP is meant to supplement any other earnings including pension, though the latter is taken into consideration for the former's calculation.

Conclusion

The first conclusion one can draw from the macro-comparison of the pension systems of the three countries is that in all of them defence pensions, including the disability element, are in one way or the other linked with the pay last drawn and length of service, with the latter also determining eligibility to receive pension and other benefits. In the US and the UK, there is no system of periodic revision of pension (other than the inflation-linked increase) of the past pensioners or equalisation of pension of past and present pensioners.

Second, in the US and the UK, affordability is a significant factor in determining the quantum of pensionary benefits to be paid to the service personnel. This has led to occasional pension reforms, with each reform attempting to lessen the government's financial liability.

³⁵ **“War Pension Scheme (WPS): Guidance”**, UK Ministry of Defence.

³⁶ Monthly figure calculated from **“War Disablement Pension”**.

³⁷ **“War Pension Scheme Annual Statistics: 1 April 2009 to 31 March 2019”**, p. 1.

³⁸ **“The Armed Forces Compensation Scheme Explained”**, UK Ministry of Defence.

Third, unlike India where normally all service personnel retire with a pension, a significant proportion of those who join service in the other two countries retire without earning a regular monthly pension. In the US, nearly 80 per cent of the service personnel retire without a pension. However, both these countries have several schemes to compensate them with lump sum payments or by facilitating their employment in the government and non-government sectors, which seems to have worked well because of the socio-economic conditions of those countries.

Fourth, adoption of the accrual system by the US and the UK and the resultant detailed annual statistical analysis have helped them not only in keeping a track of the current and future pension liabilities but also in making an accurate assessment of the financial consequences of any policy changes in the manpower strength of the armed forces and the salary and pension packages for them.

Fifth, some innovative steps have been taken by the US and the UK to manage the pension liability. In the US, for example, the amount provisioned in the budget is saved in an interest-bearing fund from which the pension is paid to all retirees. In the UK, payout of regular pension does not start immediately on retirement but after attaining the age, which is now linked to the state pension age of 68 years.

Considering the rapidly rising pension liability in India and the concern expressed by the CDS, the experiences of the other two countries would be useful in carrying out pension reforms in India in at least four areas. One, adoption of accrual accounting and transfer of funds to an entity which could manage them and pay regular pension. Two, evolving a system under which not everyone retires with a pension, without compromising on the morale of the service personnel. Three, for those leaving before a specified age, paying a lump sum early departure payment with the regular pension being preserved till the rank-related retirement age. And, four, exploring the possibility of accommodating the service personnel for longer durations within the armed forces and other departments (and public/private sector) with the pension liability being deferred till their final retirement.

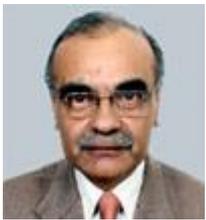
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