Dated 07.10.2020

The Chairman

Indian Banks Association

Mumbai

Dear Sir,

**PENSION UPDATION @6352 POINTS**

We have been taking up various issues of pensioners including Updation of Pension with the IBA and the Government. As regards Updation of Pension we wish to submit the following details so as to put the issue in right perspective:

1. Introduction of Pension in Public Sector Banks and other member Private Sector Banks was only after a long-drawn struggle by the Unions and Associations. **The Pension was eventually clinched only as a second benefit i.e. in lieu of Contributory Provident Fund.**Accordingly those who opted for Pension were made to refund the entire amount of the bank’s contribution to provident fund including the interest accrued thereon and those who had retired after 1.1.1986, were asked to pay further interest on such amount from the date of settlement of PF till the date of refund in terms of Regulation 3 and 6. Even the Second Option came at a cost even to those who were continuing in the service of the bank. The amount so collected from the optees was also transferred to Pension Fund.

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2. Regulation 5(3) provided that the Bank shall be a contributor to the Pension Fund and shall ensure that sufficient sums are placed in it to enable trustees to make due payments to beneficiaries under the Pension Regulations. **It thus casts a mandatory obligation on the Banks to ensure sufficiency of the funds.**

3. Banks were required to contribute @ 10% per month of the Pay of the Employee in terms of Regulation 7(a) and additional annual contribution (Regulation 7(f)) after causing an Actuarial Investigation into the financial condition of the Fund as on 31st March every year so as to secure payment of the benefits under these Regulations.

4. Pension Regulation 35(1) of Bank Employees" Pension Regulations ,1995 originally provided that in respect of employees who retired between 1st January 1986 but before 31st October 1987, basic and additional Pension shall be updated as per the formula given on Appendix -1. This Updation was effected to eligible retirees at the time of implementation of Pension Scheme in the Banks. The formula in the Appendix-1 was the same as applicable for Central Government Pensioners at that time.

5. **Regulation 35 (1) was subsequently amended vide Government Gazette Notification No. 9 Dated 1st March 2003 and provided that the Basic Pension and Additional Pension, wherever applicable, shall be updated as per the formulae given in the Appendix 1. It made Updation of Pension applicable to all**. But this well intended amendment was not implemented and hence the Formulae in Appendix 1 also remained unupdated despite corresponding amendments in the formulae of updation for Central Government Employees with every Central Pay Commissions.

6. In view of such an Unambiguous provision for Updation in the Pension Regulations, Bank Pensioners have been demanding Updation of Pension for all the Pensioners from respective dates of their eligibility for the Updation. But after grant of Updation of Pension for the employees of RBI, Bank Pensioners have lowered their demand by requesting at least for the RBI Pensioners Updation Formula and with the same date of effect i.e. 1.4.2019.

7. We give below the details of our working including what would be the cost of Pension updation including SBI employees for your consideration.

In the absence of complete Grade Wise breakup of Officer retirees available with us, the working of pension Updation is done by taking the maximum pension of a scale III Officer as a mean of all pensioners in Officers Cadre.  Hence the actual cost would definitely work out less in view of the fact that in the year 2000 Special VRS took place and all were not drawing maximum pay.

It is also assumed that 100% D.A. Neutralisation would be granted for the pensioners retired from 1-01-1986 to   31.10.2002.

Factors for Each Batch of Retirees in line with RBI Pension updation implemented in March 2019 are arrived at here below:

o FOR **TAKING RETIREES TO 1992 SETTLEMENT FROM 1987**:

(Batch 1)

BASIC PENSION:     1

DA/DR MERGED:     (1148-600)=548/4=137\*0.67 =91.79% =0.9179

BASIC PENSION AFTER MERGER =1+0.9179     =1.9179

NOTIONAL10%0F 1.9179                                       =0.19179

REVISED BASIC PENSION                                    =1.9179+0.19179    = 2.11

FACTOR FOR REVISED BASIC PENSION            = 2.11

o **FOR TAKING RETIREES TO 1998 SETTLEMENT FROM 1992:** (Batch 2)

BASIC PENSION:            1

DA/DRMERGED:  (1684-1148)=536/4=134\*0.35=46.9%= 0.469

BASIC PENSION AFTER MERGER:                =1+0.469 = 1.469

NOTIONAL10%OF1.469                                    =0.1469

REVISED BASIC PENSION                               =1.469+0.1469 =1.616

FACTOR FOR REVISED BASIC PENSION       =1.616

o **FOR TAKING RETIREES TO 2002 SETTLEMENT FROM 1998:** (Batch 3)

BASIC PENSION:                1

DA/DR MERGED:       (2288-1684)=604/4=151\*0.24 =36.24= 0.3624

BASIC PENSION AFTER MERGER                            =1+0.3624 =1.3624

NOTIONAL 10% AFTER MERGER:                            =0.13624

REVISED BASIC PENSION                                         =1.3624+0.13624 =1.49

FACTOR FOR REVISED PENSION

                                      =1.49

**o FOR TAKING RETIREES TO 2007 SETTLEMENT FROM 2002 : (Batch 4)**

BASIC PENSION                 1

DA/DR MERGED:       (2836-2288)=548/4=137\*0.18 =24.66%  = 0.2466

BASIC PENSION AFTER MERGER                           =1+0.2466   =1.2466

NOTIONAL 10% OF 1.2466                                        =0.1246

REVISED BASIC PENSION                                        =1.2466+0.1246    =1.37

FACTOR FOR REVISED BASIC PENSION                =1.37

**o FOR TAKING RETIREES TO 2012 SETTLEMENT FROM 2007 : (Batch 5)**

BASIC PENSION:               1

DA/DRMERGED:      (4440-2836)=  1604/4=401\*0.15 =60.15% =0.6015

BASIC PENSION AFTER MERGER                             =1+0.6015 =1.6015

NOTIONAL10%OF1.6015                                             = 0.16015

REVISED BASIC PENSION                                    =1.6015+0.1601 =1.7616

FACTOR FOR REVISED BASIC PENSION          = 1.76

**o FOR TAKING RETIREES TO 2017 MOU FROM 2012:   (Batch 6)**

BASIC PENSION:                1

DA/DRMERGER:    (6352-4440)=1912/4=478\*0.10 =47.80%  = 0.478

BASIC PENSION AFTER MERGER                             =1+0.478     = 1.478

NOTIONAL 10% OF 1.478                                            = 0.1478

REVISED BASIC PENSION                                          =1.478+0.1478=1.6258

FACTOR FOR REVISED BASIC PENSION                 = 1.62

**USING THE ABOVE RESULTS, THE** FACTORS FOR PENSION UPDATION @6352 POINTS ON THE BASIS OF RBI FORMULAE ARE WORKED OUT AS UNDER:

1.1987BATCH 12.2\*1.62=19.76

2.1992 BATC   5.78\*1.62= 9.36

3.1998 BATCH 3.59\*1.62= 5.82

4.2002 BATCH 2.41\*1.62= 4.39

5.2007 BATCH 1.76\*1.62= 2.85

6.2012 BATCH                = 1.62

**TOTAL COST of Pension Updation @6352 Points as on August 2019 for PSBS on the lines of RBI Formula:**

**For PSBs**:

Batch 1       No.of                  Pension               Total

------------     Retirees             Increase

SS                   1453               8038                   11679214

CLK                 2243             15478                  34717154

OFF                 4284             30825                132054300

Batch 2

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SS                   2328               6883                   16023624

CLK                 4246             12860                   54603560

OFF                 9290             26389                 245153810

Batch 3

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SS                    9266              5898                   54650868

CLK                32236            11105                 357980780

OFF                35417            23110                 818486870

Batch 4

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SS                    6370              6879                    43819230

CLK                  7932            12017                    95318844

OFF                  8312            20271                  168492552

Batch 5

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SS                   12145              3476                    42216020

CLK                 26696              5785                  154436360

OFF                 31415              9956                  312767740

Batch 6

------------

SS                   13062               1572                    20533464

CLK                 30910               2671                    82560610

OFF                 36375               4360                  158595000

Total               273980              Per month        2804090000

Total                                         Per annum     33649080000

**FOR SBI Pensioners**

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Batch 1   No of      Pension          Total

------------Retirees  Increase

SS           730         8038               5867740

CLK         947       15478             14657666

OFF       1026       30825             31626450

Batch 2

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SS          1896        6883             13050168

CLK        2436      12860            31326960

OFF        2436      26389            64283604

Batch 3

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SS          6830       5898              40283340

CLK       9557      11105           106130485

OFF     10915      23110           252245650

Batch 4

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SS          6754        6879            46460766

CLK       9965      12017          119749405

OFF     11243      20271          227906853

Batch 5

------------

SS         8453        3476               29382628

CLK    10566        5785               61124310

OFF    11471        9956             114205276

Batch 6

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SS         9780      1572                 15374160

CLK     12234      2671                32677014

OFF     13381      4360                58341160

Total 130620    Per Month       1264693635

Total                  Per Annum   15176323620

Total No. of                Cost Per annum

Pensioners

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PSBs  273980              33649080000

SBI     130620              15176363220

Total  404600              48825443220

Rs.4882.54 Cr for 404600 pensioners

Rs.5322.87 Cr for 441000 pensioners

It is submitted that the Pension Funds of the Banks are quite healthy and can afford Updation of Pension using the same Factors as done in the case of RBI without affecting the Balance Sheets at this juncture.

**Since the Public Sector Banks are State within the meaning of Article 12 of the Constitution of India and Banks Pension Regulations providing for Updation of Pension, are Subordinate Legislation, it is a statutory obligation on the part of the Banks to periodically update the pension.**

It is also ruled by the Hon'ble Supreme Court that Salary Revision and Pension Revision are inseparable and constitute a Legal right.  It was also held that Pension is not a **Bounty and is a Deferred age**. It therefore naturally follows that whenever there is a revision of wages, the **Deferred Wages cannot remain constant**. Hence the need for Pension Revision cannot be overemphasised.

The contention that the Banks are incurring losses which impedes their capacity to pay is hollow as Pension Fund is not created out of profits and its provision does not find a place in the Profit & Loss Appropriation A/c of the Banks. Moreover, the Banks are forced to provide for NPAs despite losses. **The provision for NPAs is a Regulatory Guidelines whereas the provision for Pension Fund in accordance with the Pension Regulation 11 constitutes a Statutory Provision**. **It is pertinent to submit that the Statutory Provisions have Precedence over the Regulatory Provisions.**The introduction of Pension Scheme by signing the Settlement in the year 1993 is quite significant as many Banks were in Loss during 1992 and 1993 due to the Introduction of New Accounting Norms.  Had the Pension been dependent on the profits of the Banks,  it would not have been agreed to grant pension at that juncture.

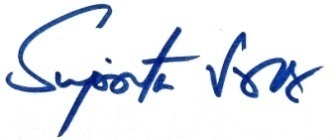
Obtention of Actuary 's Estimate is a requirement incorporated in the Pension Regulations for enabling the Banks to estimate the correct requirement of Additional provision on annual basis and cannot be construed as a hindrance to extend the benefits of Updation in terms of Regulation 35 (1).  Similarly, AS-15 (R) is an alien concept to the Banks Pension Regulations and cannot be allowed to interfere with the existing beneficial provisions like Updation of Pension in terms of Regulation 35 (1). While Regulations which adversely affect the Pensioners even after Retirement by invoking Pension Regulation thrusting Disciplinary Proceedings and subjecting them to Punishments how a Legal Right of getting Pension Updation under Regulation 35(1) with every Wage Revision can be denied? In fact, only Bank Employees Pension Regulations   contain a **Categorical assertion by way of Regulation 35 (1) about Updation of Pension and Regulation 56 asserts about reference to Central Government Pension Scheme.**

As you are aware Banks Pension Scheme is similar to that of RBI and it was so referred to in the Pension Settlement. Pension Regulation 56 also provides that in case of any doubt, a reference shall be had to the Central Government Pension and Commutation Rules 1972. In as much as the Updation of Pension is available to the Central Government Pensioners and has also been extended to RBI and NABARD Pensioners, it would be unfair and unfortunate to continue to deny the benefit of Updation of Pension to Bank Pensioners despite there being a pre-existing provision under our Pension Regulation 35(1).

Hence it is submitted to favourably consider the legitimate demand of the Bank Pensioners for grant of Updation of Pension and settle the issue along with the signing of the 11th Bipartite Settlement.

With Regards,

                   Yours faithfully,

K V Acharya                       S Sarkar

President                              General Secretary

AIBPARC   &                         AIBPARC

Joint Convener CBPRO