



ALL INDIA BANK PENSIONERS' & RETIREES' CONFEDERATION



(A.I.B.P.A.R.C.)

**C/O BANK OF INDIA OFFICERS' ASSOCIATION
(EASTERN INDIA BRANCHES)**

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Circular no:105 -23.

Date: December 27, 2023.

For circulation among members of the Governing Council, State Secretaries, Special Invitees, Advisors, Affiliates, Constituents of CBPRO and Members.

Dear Comrade,

Sub: Demystifying the IBA's Myth on Cost of Pension updation and family Pension.

We are reproducing hereunder the text of our letter written on date to The Convener, UFBU with copies to the constituents on the above noted subject.

This is for information of members.

With best wishes and regards,

Comradely yours,

Suprita Sarkar
General Secretary

Encl: As stated

AIBPARC/ UFBU/ Pension updation/email/2023 Date: December 27, 2023.

Shri S.K. Bandlish,
Convener, UFBU,
Chandigarh.

Dear Comrade,

Sub: Demystifying the IBA's Myth on Cost of Pension updation and family Pension.

We refer to our letter dated 19th December, 2023 to you about the issue of Pension Updation vis-a-vis the proposed ex-gratia vide MOU dated 7.12.2023 signed between UFBU and IBA. In this connection, we wish to put certain facts in proper perspective to help UFBU resolve the long pending demand of Updation of Pension on the lines of Updation formulas (Formulae) notified in case of RBI Pensioners.

1. Although in the MOU dated 7th December, 2023 (Vide Paragraph no, 5), there has not been any express mention of cost factor of Updation of Pension, for last few days we have come across several campaigns sometimes in the form of circulars issued by affiliates of the Constituents of UFBU and at other times the quotations of telephonic conversations of important leaders of UFBU constituents (being made public) telling that Updation of Pension is not possible due to exorbitant cost. Some of such leaders are also however telling that Updation will be done after seeing the impact of Ex-gratia payment offered by IBA while signing the MOU on 7th December, 2023.

2. In one such spirited campaign by one of the constituents of UFBU, it has been claimed by providing Bank-wise data that the improvement of family Pension in the 11th BPS was achieved by UFBU at a cost of Rs 18,563.19 crore and it has been cited as a proof that UFBU really cared for the Retirees. Frankly speaking, we do not have any quarrel with the subjective feeling cherished by any organisation but we do object to the cost claimed by IBA and UFBU's acceptance and propagation of the same without any protest against it backed by fact-check on record. Such blatant "untruths" are being circulated with a definite purpose behind it. **We are generally accustomed to see that cost is often talked about by management (IBA in the present case) to negate the rightful claims and Trade unions sharing the other side of the table harp on what favours the "labour" and what benefits the "labour" being entitled under the already existing Statute.** Being true to the tradition, we cite before you the logic that will totally demolish the edifice of IBA's arguments in regard to cost of improvement of Family Pension and we believe that you will find substance in it. We feel it a necessity to re-open the chapter because the inflated cost shown for improvement of family Pension will be relied upon by IBA in negating the larger demand of Pension Updation on similar grounds of inflated cost. We have in the past repeatedly written to IBA that their perception is wrong and it requires an immediate correction. As a veteran trade union leader, you are definitely aware of the fact that cost is an enigma which can always be used in a clever manner to deny rightful claims. Hence the need arises on your part to insist upon IBA for a path-correction on the following grounds:

(I) Banks make adequate provisions to ensure payment of Pension @ 50% of average basic pay drawn during last 10 months of service. Such provision is generally made to pay full Pension to a Pensioner upto the age of 82 years. Records will speak that 95% of the Pensioners die before attaining 82 years of age. **Family Pension if calculated @15% of Basic Pay, it would result in reduction in Pension by 35% of last drawn pay (15% instead of 50%). This way every single deceased Pensioner leaves a surplus of 35% of last drawn pay in the Pension Fund.**

(II) **Under such circumstances, improvement of family Pension from 15% to 30% leaves still a surplus of 20% of the last drawn pay in the pension fund.** Such a surplus left by 95% of the deceased Pensioners (died before 82 years) would be many times more than the cost of improvement for those 5% of family Pensioners who survive beyond 82 years of age. The instances of pre-deceased spouses also not surviving upto 82 years of their age, which are quite substantial number would further increase the surplus.

(III) When the issue of the so-called amortization of cost came, we escalated before IBA time and again asking them to explain the need for additional provisioning towards cost of the improvement of family Pension. It virtually resulted in negative provisioning to the pension fund as explained hereinbefore. **We still believe that such a grave perceptual error on the part of IBA was directed to hoodwink the Government and UFBU too since there was no documented fact-check or protest from UFBU's side.** This deliberate perceptual error committed by IBA was in fact a precursor to the denial of updation of pension in the name of astronomical cost. The arithmetic should be set right by asking the following questions:

(a) **When the cost of salary revision of 8,50,000 (previous Bipartite Settlement - 1.11.2017) employees and officers @ 15% of pay slip component came to Rs. 7,988 crore, how then for about 70,000 family Pensioners, an increase of 15% of last drawn basic pay towards improvement of un-updated family pension would necessitate an additional funding of Rs 18,563 crores especially when the annual yield on Pension Fund had enough room to absorb the amount of annual cost of improvement in family pension.**

(b) **The total annual Pension bill for more than 4 lakhs of Pensioners and family Pensioners during 11th BPS was around Rs 14,000 crore and the funding requirement for improvement of family Pension (for about 70,000 family pensioners) is being claimed at Rs.18,563 crore. Is it not fallacious more so when the annual yield on Pension Fund is more than the pension payout with enough cushion to meet out the annual cost of improvement? Further the Pension Funds of PSBs are managed by making specified investment and not used to buy annuities like other entities?**

c) **It is reiterated that annual Pension Updation cost comes to Rs. 3,288 crores. The detailed Bank-wise and cadre-wise calculation sheets for pension updation as on March 2019 have already been shared by us with you, IBA & DFS. Those calculations evidence that the annual pension including annual updation cost can**

be almost met out of annual yield of the Pension Fund. There is therefore, no need of additional provision or funding as projected by IBA at this juncture.

Comrade, the need of the hour, as we feel for ourselves, is that the so-called cost calculation of IBA for Pension updation is supposed to be shared with you and all the Apex Level Retirees' Organisations to check up whether the assumptions are being correctly taken into consideration or not. The above exercise in respect of improvement of Family Pension will surely convince you that IBA has been talking with different motives and every decision in regard to Pensioners is to be taken with a grain of salt and not as it is. We request you and to all the constituents of UFBU through you that the so-called cost projected by IBA for Updation of Pension needs to be questioned thoroughly and logically. The IBA has been dodging and dragging the issue of Updation for too long now by orchestrating their usual so called studying the cost calculation theory without even attempting to assess the enormity of the Pension Fund, outgo by way of Pension Payments vis a vis the annual yield and net accretion to Pension Fund. It will be absurd if IBA projects that if Updation is done as per RBI formula, in course of time no amount would be left to make monthly payment of Pension. **It would be pertinent to have a reference to the pension updation cost of RBI pensioners having been arrived by the Government at Rs.700 crores (approx.) while granting updation in the year 2019.**

We also wish to make it abundantly clear that Bank Pension Scheme is not a funded scheme. Just as for Government Pensioners Pension and Updation is given out of Budgetary Provisions even when the Budget is invariably a Deficit Budget, the same way Banks are Statutorily bound to make good the shortfall if any, every year by charging such provision to Profit and Loss accounts of the Banks as is the case in respect of Wages to Serving Employees and Officers. In case of Banks, they have been making huge profits except some intermittent loss on very few occasions by some banks, either due to New Accounting Norms in 1990s or recently due to huge Write offs. The Operating Profits of all the banks have always been moving northwards.

In view of the foregoing facts, we would request UFBU leaders to expedite resolution of our long pending demand of Updation of Pension on the lines of RBI updation formulae in respect of every wage revision including the one wef 01.11.2022 for all eligible pensioners/family pensioners.

With best wishes,

Comradely you



K V Acharya
President, AIBPARC
& Joint Convener, CBPRO



Suprita Sarkar
General Secretary