



# 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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(For circulation among members of the governing council of AIBPARC,  
State Secretaries, Special Invitees and Advisors.)

Dear Comrade,

Sub : **Updation of Pension in Banks**

We reproduce hereunder the full text of the letter dated 14.06.2019 addressed to the Chief Executive, IBA on above subject signed by Joint Convenors of CBPRO & GS, AIBRF. This is for information of members.

With best wishes,

( SUPRITA SARKAR )  
GENERAL SECRETARY

**QUOTE :**

Dated: 14.06.2019

Shri V G Kannan,  
Chief Executive,  
Indian Banks Association,  
Mumbai.

Respected Sir,

We wish to kindly draw your attention to our various letters and representations regarding the above and once again represent to Your Good self with full details of this most important issue requesting for resolution of the same.

**Background of Pension Scheme and Updation in Banks:**

SBI Retirees were getting Pension right from IMPERIAL BANK days and the scheme was on the lines of Guaranteed Pension Scheme. Accordingly, Pension Fund was created and the Pensions are paid out from the Pension Fund. SBI Retirees were getting 50% of the last drawn Basic Pay as Pension. But in the year 1999 the entitlement for Pension for a section of Employees and Officers was retained at 50% and for higher grade Officers it was limited to 40% of the last drawn Basic Pay. This resulted in anomalies and became a contentious issue and a section of the Officer Retirees are now disadvantaged due to a lesser slab of Basic Pension of 40% of their last drawn Basic Pay. SBI Pensioners have been demanding a uniform Basic Pension of 50% of the last drawn Basic Pay for all the Retirees irrespective of their cadre or grade. This uniform Basic Pension of 50% will only undo the injustice thrust on them by arbitrarily changing the Basic Pension formula. Hence it is requested the SBI Pensioners should also be brought in with 50% of the last drawn Basic Pay as available to others.

It is also a fact that SBI Pensioners have been requesting for updation of their Basic Pension as is done in respect of Government Retirees and RBI Retirees. It is also held by judicial pronouncements that periodical wage revision and periodical updation of Pension are two inseparable things. The Pension Funds of SBI is very robust and Fund as on 2018 is as strong as about Rs.70,000 crores. The Pension is paid out of the Funds as created with proper provisions every year.

Pursuant to the signed settlement/joint note, the BANK EMPLOYEES' PENSION REGULATION 1995 were framed in exercise of powers conferred by Clause(f) of Sub-section (2) of Section 19 of the Banking Companies (Acquisition and Transfer of Undertaking) Act 1970(5 of 1970). The said pension regulations were adopted by the board of respective banks after consultation with Reserve Bank of India and with the previous sanction of the Central Govt. These regulations were also notified in the Gazette of India and so are the subsequent amendments. This makes these regulations a Subordinate Legislation having statutory force. The Public Sector Banks are the State within the meaning of Article 12 of the Constitution of India and are liable to implement the provisions contained in the said Pension Regulations 1995 as amended up to date.

### **Regulation 35(1)**

This Regulation provided for updation of Basic & Additional Pension as under.

**Quote.** In respect of employees who retired between the 1<sup>st</sup> day of January 1986 but before the 31<sup>st</sup> day of October 1987, basic and additional pension will be updated as per the formula given in appendix 1. **Unquote.**

The formula for Updation of Basic and Additional pension given in Appendix 1 was in adaptation of the Updation formula used for updating the pension of Government employees obtaining at that stage.

The retired employees who retired between 1.1.1986 & 31.10.1987 were given the benefit of Updation of their basic and additional pension at the time of implementation of pension scheme in 1995-96.

With a view to extend the benefit of Updation of basic and additional pension to all those who were retiring subsequent to 31.10.1987, the Govt of India amended Regulation 35(1) as under.

**Quote.** Basic pension and additional pension, wherever applicable, shall be updated as per the formulae given in Appendix 1(Govt Gazette Notification No. 9 dt 01.03.2003 **Unquote**

The reasons, objects and rationale behind this amendment to Regulation 35(1) was to honestly extend the benefit of Updation of basic pension and additional pension to all retirees irrespective of the date of their retirement. However, for inexplicable reasons, the said amendment has remained unimplemented and not even a single retiree has been extended the benefit in spite of the lapse of more than 15 years.

It is again reiterated that the pension regulations being subordinate legislation, are statutory in nature and the Banks being a state within the meaning of the Article 12 of the Constitution are under a real obligation to implement the same.

### **Nature of Pension Liability in Banks:**

As brought out in earlier paragraph, it is a statutory liability. As far as the Banks are concerned, the liability towards payment of pension under updation of pension are in the nature of Revenue Expenditure constituting the charge on Profit & Loss account which means that the Profit if any, can be declared only after making honest and adequate provisions towards pension liability in terms of Pension Regulations. There appears to a notion that pension Liability is required to be allocated from the profits of the bank. An analysis of the published Balance Sheets of the banks would reveal that the provisions towards Pension Liability do not find a place in the Profit & Loss Appropriation Account. It remains only

revenue expenditure. It is also made clear that implementing an existing provision of pension regulations does not qualify to be an improvement in the scheme and hence the notion about additional cost consideration is violative of the said pension regulations. The annual provisions on account of pension liability required to be made keeping in view all the regulations after obtaining the Actuarial estimates for the same. It is believed that the Banks have made adequate provision towards pension liability and if after implementation of updation, the shortfall if any shall have to be made good as the employees have already surrendered the Banks' contribution towards their provident fund at the time of opting for pension. The liability being statutory in nature, implementation of the provision of Regulation cannot be withheld for cost considerations or by drawing an uncalled for parallel with the Government Pension scheme in as much as the Pension Regulation in case of Bank Pensioners is unambiguous and clear. A reference under Regulation 56 of the pension regulations is required in case of a doubt in the matter of application of these regulations. A plain reading of the provisions contained in Regulation 35(1) would reveal that basic pension and additional pension shall be updated wherever applicable. This provision makes the Scheme of Pension updation an **Open Ended** one.

It would be pertinent to understand the pension liability under Govt Pension Scheme on account of the Government Employees. The Pensionary Liability of the govt in respect of Government Employee is treated as a revenue expenditure as in the case of Bank pensioners. In the Govt., the budgetary allocation is made on a Year-On-Year basis as the Banks make pensionary provisions after obtaining Actuaries Estimates every year. The only difference being that the Govt has not constituted any fund to be used for payment of pension perpetually whereas the Banks have constituted Pension Fund to meet the liabilities of pension perpetually. It is further pertinent that denial of the benefit of updation to Bank Pensioners has resulted in a huge Corpus of about Rs 3,00,000 Crores including SBI as on 2018. The annual Contributions as per Actuaries Estimates and Yield on the existing fund far exceed the Pension Liability every year. This is only because the Bank pensioners are underpaid to the extent of the quantum of pension updation.

It is revealing that the size of pension funds being so strong has in the past led to Window dressing of Banks 'Balance sheets by charging the pension fund for the purposes other than the pensionary benefits a la PNB case a couple of years ago wherein more than Rs 1600 Crores were transferred from Pension fund to inflate the bank's profits. There could be many more such cases in the industry. It may be appreciated that pension fund is held in trust for the pensioners and any unauthorised debit would amount to misappropriation of Trust Funds resulting in serious violations of the provisions of the Trust.

The perception that budgetary allocations are used for meeting the annual pension liability of the Government pensioner leads us to a logical conclusion that such allocation is statutory/mandatory irrespective of the surplus or deficit in Union budget. An empirical study reveals that the union government have been presenting Fiscal deficit perpetually in their annual budget. The fiscal deficit is nothing but the gap between the revenue and expenditure. The gap between revenue and expenditure in the banks is called Loss. When government meets the liability of pension updation despite perpetual fiscal deficit (loss), how can the banks refuse to meet the pension updation liability quoting intermittent loss. It is also recalled that when the industry level settlement for introduction of pension were signed in the year 1993, many banks were showing loss in the wake of implementation of prudential accounting norms since 1992. If Cost or the profitability/affordability was envisaged as a constraint for making payment of pensionary benefits, it would not have been feasible to extend the benefit of pension in those banks who were making loss during 1993. This clearly emphasises the point that profit, loss, cost, affordability etc are illogical and arbitrary reasons being cited to deny the benefit of updation of pension to Banks' pensioners. It is an illegal denial.

### **Updation of Pension in RBI:**

Pension was introduced in RBI w.e.f. 01.01.1986 as in the case of other Public Sector Banks. The need for updation of pension arises as a sequel to wage revision which takes place in RBI and other Public Sector Banks every five years commencing 1<sup>st</sup> November. It is reiterated that Public Sector Banks

Regulations have an express provision for updation of pension vide Regulation 35 (1) as mentioned hereinbefore whereas the Pension Regulations in RBI needed an amendment to provide for updation of

pension. It is therefore clear that the pensioners of Public Sector Banks stood on a better footing vis-a-vis the pensioners of RBI with regard to extension of the benefit of updation of pension.

It is pertinent to note that DFS, Ministry of Finance vide its letter dated 26.02.2018 addressed to Governor RBI has declined to approve the proposal of the Central Board of RBI for extension of the benefit of updation of pension for the reason that it will have contagion effect and any change in the manner of calculating pension/updation of pension was likely to result in similar demands in Public Sector Banks and Financial Institutions most of which are currently experiencing financial difficulties. However, the Honourable High Court at Mumbai has rejected such a plea of the Government and allowed updation of pension in RBI. Consequently, Ministry of Finance vide its letter dated 5<sup>th</sup> March 2019 approved the said proposal regarding revision/updation of pension as per the multiplication factor fixed for pensioners according to the date of their retirement. Accordingly, the pensioners of RBI have been given the benefit of updation of pension notionally with effect from 1<sup>st</sup> March 2019.

### **Cost of updation:**

It is learnt that the cost of updation of pension in RBI for 34400 pensioners worked out to Rs. 857.52 crores which was hardly 7.146% of their pension corpus of Rs. 12000 crores (approximately). The provisioning norms for pension fund in RBI and in Public Sector Banks are similar and so is the pension payout. Pension scheme came into existence in the year 1986 as in the case of Public Sector Banks and other Private Sector Banks which are members of IBA. So far as SBI Retirees are concerned the Pension scheme was already in existence. This being so If the same principle and analogy is extended to roughly assess the cost of pension updation for about 450000 pensioners of SBI and all other member Banks of IBA the cost of pension updation as a %age will remain the same of the pension corpus of the Banks. This is without adjusting the extra cost needed in case of RBI pensioners whose Basic Pay and resultant Basic Pension are higher than that of the other Public Sector Banks. In this backdrop the astronomical figure of the cost of pension updation assumed by IBA lacks logic and accuracy. The difference between the updation cost of 34400 pensioners of RBI and about 450000 pensioners of SBI and other member Banks of IBA should not normally exceed the ratio of Updation of RBI Pension scheme. Such cost calculations need to be studied with regard to availability of existing pension corpus available in Banks, the payment pay out, annual yield, annual contribution/provision to the pension funds. It is in this manner the need for additional provision, if any, should be examined.

It is also important that Banks as instrumentalities of Government are State within the meaning of Article 12 of the Constitution of India. Hence the pensioners of the Banks cannot be denied their statutory dues of payment of pension including its revision/ updation periodically.

### **Conclusion:**

We have explained in detail case for Updation of Pension in SBI, Public Sector Banks and Private Sector Banks which are the members of IBA and request for Updation of Pension as given to RBI Retirees.

Thanking you,

Yours Sincerely,



(A.RameshBabu)  
Joint Conveners, CBPRO



(K.V. Acharya)



(S.C. Jain)  
General Secretary, AIBRF