

**Committee on Pension Matters of
State Bank of India**

Report and Recommendations

October 2016

Committee on Pension matters of State Bank of India

Report and Recommendations

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Introduction

- 1.1. Pension is a very peculiar subject and there exists several issues related to Pension in State Bank of India.
- 1.2. At the core of the matter, State Bank of India (hereafter SBI) has been submitting proposals for amendment in SBI Pension Regulation after changes in the pay scale of SBI Officers consequent to implementation of old Bipartite Settlement (BPS) in SBI. SBI has been seeking upward revision of pension ceiling after changes in bipartite settlements and also shifting of effective date of revision of ceiling in pension of retirees in some cases. However, the proposals of SBI, though examined several times by the Department of Financial Services, have been turned down every time.
- 1.3. The reasons for not agreeing to the proposal of SBI are mainly that SBI pension regulations are not linked to wage negotiations; the retiral benefits in SBI are already on higher side; SBI is already struggling with rising pension cost and contributing in Pension Fund much more than mandatory provisions; the matter is sub-judice in various courts; there may be contagion effect in other PSBs, etc.

Constitution of the Committee

- 1.4. The Department of Financial Services, Ministry of Finance, Government of India set up this Committee on pension matters of SBI for making suggestions on the pension issues of SBI and for making improvements in Pension Scheme of retirees of SBI. The Committee was constituted vide DFS Order F.No. 4/8/6/2006-IR, dated 10 February 2016.
- 1.5. The Composition of the Committee was as under:-
 - (i) Additional Secretary, DFS : Chairman

- | | | | |
|-------|---|---|---------------------------------|
| (iii) | Joint Secretary, DoPT | : | Member |
| (iv) | ED (HR), RBI | : | Member |
| (v) | Any other member as
decided by the Committee
(Including officials of SBI) | : | Special Invitee
(need based) |
| (vi) | Deputy Secretary (IR) | : | Member Secretary |

1.6. With the change in the incumbents and various other developments, the Committee was reconstituted by way of Order F No. 4/8/6/2005 IR dated 3 June 2016.

1.7. The Composition of the Committee reconstituted for the purpose is as under:-

- | | | | |
|-------|---|---|---------------------------------|
| (i) | Additional Secretary, DFS | : | Chairman |
| (ii) | Joint Secretary (Pers.), D/o Expenditure | : | Member |
| (iii) | Joint Secretary, DP&PW | : | Member |
| (iv) | Representative of IBA | : | Member |
| (v) | Any other member as
decided by the Committee
(Including officials of SBI) | : | Special Invitee
(need based) |
| (vi) | Deputy Secretary (IR) | : | Member Secretary |

1.8. The terms of reference of the Committee were defined as follows:

- (a) To deliberate on the proposal of SBI for improvements in Pension Scheme of the retirees prior to 2005 in a holistic manner taking into consideration the terminal/retiral benefits in banking industry, financial implication and impact of 22 Court cases which are presently sub-judice across the Country.

- (b) To suggest course of action while balancing the cost of retiral benefits and the administrative cost of serving employees and benefits derived from this.

Background

- 1.9. SBI Pension regulations have been framed under Section 50 read with Section 52(2)(o) of SBI Act, 1955. The said Section provides power to the Central Board to make regulations for superannuation matters after consultation with RBI and with the previous sanction of the Central Government.
- 1.10. Historically, the wages in PSBs are revised as per the Wage Negotiations held between IBA and Unions/Associations. As Regulations of PSBs under Section 19 of Banking Nationalization Act are made with the previous approval of Central Government and as Pay-scales get revised post Wage Negotiations, the Bipartite Settlement negotiated between IBA and Unions/Associations are also approved by Government before they are implemented.
- 1.11. However, SBI Pension Regulations are not related to Bipartite as in the case of Nationalized Banks as Pension Regulations of SBI were in existence much before existence of concept of Bipartite Settlement.
- 1.12. In case of SBI, its employees are eligible for three retiral benefits, viz., Gratuity + Pension + Contributory Provident Fund while Central Government as well as entire banking industry including RBI/FIs (except SBI), the employees are eligible for two retiral benefits i.e. Gratuity + Pension or Gratuity + Contributory Provident Fund.
- 1.13. Since the employees of SBI are having 3 retiral benefits and as SBI is contributing 10% of the basic pay towards Contributory Provident Fund, it was consciously decided in 1999 to have a concept of 50%/40% and a ceiling of 50% for all the officers drawing pay upto Rs. 8500/- and 40%

- 1.14. Since then, there has been a concept of cut-off in basic pay for 50/40% formula with ceilings and effective dates for the purpose of pension.
- 1.15. The ceilings have been revised from time to time and the present pension ceiling recently revised w.e.f. 1.11.2012. is raised to Rs.51,490 for pension at the rate of 50% and for exceeding thereof at the rate of 40% with a minimum of 25,745/-.

Court cases

- 1.16. SBI presented before the Committee a list of pension related court cases which are covered under the terms of reference of the Committee. It was informed that 22 Court cases on pension matters arising out of various Bipartite period are pending at various stages in different High Courts across the country.
- 1.17. In Writ Petition No.1875 of 2013, Delhi High Court vide order dated 26.4.2016 has desired that a copy of the letter dated 30.10.2002 be placed before the committee for consideration. The said letter was placed before the committee and the committee took the note of the contents of the said letter.
- 1.18. DFS informed that the said letter along with another letter of SBI dated 12.1.2006 has been duly examined and a reply was sent to SBI on 17.2.2006.
- 1.19. It was brought to the notice of the Committee by SBI that the said letter of SBI mainly deals with the issues already being considered by the Committee.

PROCEEDINGS OF THE COMMITTEE

- 2.1. The Committee met on three occasions on 29th March, 2016, 17th June, 2016 and 10th August, 2016. All the meetings were held in Department of Financial Services, Ministry of Finance.
- 2.2. As per the composition of the Committee, the representatives of SBI were invited need based during the meetings as special invitees. Accordingly, the representatives of SBI attended the same.

Meeting held on 29th March, 2016

- 2.3. At the meeting held on 29th March, 2016, Chairman, SBI was present. She, while giving the background of the issue and the major problems being faced by the retirees of SBI during the 5th, 6th, 7th and 8th Bipartite Settlements, made a case before the Committee for upward revision of ceilings as well as realignment of dates in certain cases as under:-

Wage revision period	1.11.1987 to 31.10.1992 (5 th BPS)	1.11.1992 to 31.10.1997 (6 th BPS)	1.11.1997 to 31.10.2002 (7 th BPS)	1.11.2002 to 31.10.2007 (8 th BPS)
Existing provision	Maximum ceiling of Rs. 2400/-p.m w.e.f. 1.11.1987	Maximum ceiling of Rs.4250/- p.m. w.e.f. 1.11.1993	Cut-off point is Rs. 8500 w.e.f. 1.3.1999	Cut-off point is Rs. 21040 w.e.f. 1.5.2005
SBI proposal	To be raised it to Rs.3775/- p.m.	To be effective from 1.11.1992	To be raised it to 14240 w.e.f. 1.11.1997. <i>1-5-2005</i>	Cut-off point of Rs. 21040 w.e.f. 1.11.2002 <i>1-5-05</i>

Revised

Not allowed

Meeting held on 17th June, 2016

- 2.4. At the meeting held on 17th June, 2016 the SBI was asked to make a presentation on the issues while giving the background and their proposal. CGM (HR), SBI made the presentation that there is an

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5th, 6th, 7th and 8th settlements. He stated that the total financial cost is about Rs.1250 crore and SBI can easily manage with this. SBI also informed that at present monthly expenditure on pension is Rs.315 crore. It was informed that there is no issue with regard to retirees of 9th and 10th settlement as the ceiling as well as the dates are well synchronized

- 2.5. In compliance of the order dated 26.04.2016 of Delhi High Court in W.P. (C) 1875/2013, a copy of the letter dated 30.10.2002 was placed before the Committee for consideration and necessary action.
- 2.6. During the deliberations of the meeting, it was felt that the legal provisions, administrative powers as well as the financial cost of the proposal of SBI needs to be assessed and examined. The SBI was asked to furnish annual financial implication if the proposal is considered for retirees prior to 9th and 10th settlement. The SBI was also requested to provide justification to link fixation of pension with date of pay settlement i.e. legal basis of doing so.
- 2.7. It was decided that DFS would make a presentation on justification/Administrative decision taken earlier and the legal basis/provisions before the committee during the next meeting.

Meeting held on 10th August, 2016

- 2.8. At the meeting held on 10th August, 2016 DFS was asked to explain justification/Administrative decision taken earlier and the legal basis/provisions in SBI Pension issue. In response, DFS, while giving the background and developments in the Pension issue of SBI, presented the legal provisions, justification for administrative decision taken earlier.
- [Signature]* *b*

- 2.9. During the deliberations of the meeting, SBI was requested to furnish inputs on the following:-
- (a) Justification for arriving at the figure of Rs.3775/- as the ceiling w.e.f. 1.11.1987.
 - (b) Justification for shifting the effective date from 1.11.1993 to 1.11.1992 for the ceiling of Rs.4250/-
 - (c) Justification for arriving at the figure of Rs.14240 as cut-off point for 50%/40% concept w.e.f. 1.11.1997.
 - (d) Justification for shifting the effective date from 1.5.2005 to 1.11.2002 for the cut-off point of Rs 21040.
 - (e) Justification to link fixation of pension with date of pay settlement in SBI.
- 2.10. IBA was also requested to check the position in respect of the Nationalized Banks especially the shifting of date from 1.5.2005 to 1.11.2002 and to assess the contagion effect of proposals of SBI on other PSBs.

Response of State Bank of India

- 2.11. The response given by SBI is as under:-
- (a) The ceiling of Pension for the retirees pertaining to earlier period (4th Bipartite) of Rs. 2400/- was fixed as 50% of 4800/- i.e maximum pay as per 4th bipartite settlement of highest category of employees in the Bank viz. TEGSS-II/DMD and corresponding pay in 5th bipartite settlement w.e.f. 1.11.1987 was revised to Rs. 7550/-. Accordingly, Rs. 3775/- p.m. is the 50% of the salary of highest scale (DMD/TEGSS-II) in the Bank in the Salary Revision as per 5th Bipartite Settlement w.e.f. 1.11.1987 (applicable for pensioners retired during 1.11.1987 to 31.10.1992)
 - (b) Salary revision for the 6th Bipartite was made effective from 1.11.1992/1.7.1993. The Pension ceiling was revised to Rs. 4250/- w.e.f. 1.11.1993. Pension ceiling in respect of the retirees

be revised to Rs. 4250/- to make it aligned with effective dated of Salary revision as the pension is calculated on last drawn salary.

- (c) Rs. 14,240/- is the highest pay in the scale of lowest rung officer i.e. JMGS-I as per 7th Bipartite wage settlement w.e.f. 1.11.1997/1.4.1998, which happens to be the corresponding pay of Rs. 21,040/- in 8th Bipartite Settlement of that scale, where same formula is applicable and approved by the GOI with 50%/40% formula.
- (d) Salary revision for 8th Bipartite Settlement was effective from 1.11.2002. However, the pension ceiling for the retirees pertaining to 8th Bipartite i.e. 1.11.2002 to 30.4.2005 was revised w.e.f. 1.5.2005. Benefit of revision needs to be extended from same date of salary revision as the pension is calculated on last drawn salary.
- (e) As per current practice, salary is revised in SBI along with other PSBs as per Bipartite Settlement, periodically at 5 year intervals. As the pension is linked to last drawn salary, there should be an automatic revision in pension to employees in SBI without necessitating any separate approval from GOI/RBI or amendment in the Pension Act, like in other PSBs, as the GOI approval is already in place for salary revision.

Response of Indian Banks Association

2.12. The response given by IBA is as under:-

- (a) Clause 16 of BPS dated 27.3.2000 stipulates that for employees who retires or dies while in service on or after 1.4.1998 "pay" for the purpose of Pension shall be the aggregate of pay drawn by the member of staff in terms of VI BPS and DA thereon calculated upto index number 1616. This shall be subject to the necessary amendments to be made to the relevant provisions of Bank Employees' Pension Regulations, (BEPR)1995. Similar provision

was incorporated in the Joint Note dated 14.12.1999 for Officer employees in Para 6 ("Pay" for the purpose of Pension shall be the aggregate of pre-revised Pay and DA thereon at CPI 1616 Points).

(b) After obtaining legal position in this regard, this was revised in terms of Clause 16 of BPS dated 2.6.2005 relating to workmen and Para 6 of Joint Note dated 2.6.2005, stipulating "pay" to be reckoned for the purpose of arriving at "average emoluments" for calculating pension shall be the "pay" drawn by him prior to his retirement/death. In other words, 'Pay' here will have the same meaning as in Clause 6 of the Bipartite Settlement dated 2.6.2005 and Para 6 of Joint Note dated 2.6.2005, i.e., the pay arrived at 1684 points shall be taken for the purpose of pension calculation retired during 7th Bipartite Settlement period. Pension so revised paid to them with effect from 1.5.2005 and no arrears of pension and/or difference in commuted value of pension is payable to the retirees of these periods. These become part of Bipartite Settlement/Joint Note dated 27.4.2010 (Clause 7 of BPS & Para 7 Joint Note respectively).

(c) The above decision to pay from 1.5.2005 was taken purely on the basis of load factor on pension calculation under BEPR 1995, which is not applicable to SBI as Pension scheme in SBI is different from that of other Public Sector Banks including Associate Banks of SBI and load factor on pension calculation under Bank Employees' Pension Regulation, 1995 is not applicable to SBI.

Financial Implication

2.13. During the course of the meetings, SBI informed that the financial implication for all the four settlement periods shall be around Rs.1250 crores and the details of which are as under:-

h *h*

5th BPS shall be around Rs.50 crores which includes Rs.11.11 crores as arrears and Rs.38.89 crores as actuarial cost.

- The total cost of the proposal of shifting of dates in the 6th BPS shall be around Rs.1.32 crores only.
- The total cost of the proposal of revising of ceiling as well as re-fixing of dates under 7th BPS shall be around Rs.1156.03 crores which includes Rs.468.05 crores towards arrears and Rs.687.98 crores as actuarial cost.
- The total cost of the proposal of shifting of dates in the 8th BPS shall be around Rs.39.90 crores only.

2.14. SBI also informed that the total corpus of the SBI Employees Pension Fund is Rs.57,420 crores as on December, 2015 and monthly earnings from the Corpus is approximately Rs.325 crores out of which the total pension payout of SBI is Rs.310 crores. b

OBSERVATIONS OF THE COMMITTEE

- 3.1. Pension scheme of SBI earlier provided for a contribution of 5% of the salary (subject to maximum of Rs.90/-pm) by the employee in to the pension fund. However, this was done away with in the year 1968.
- 3.2. The concept of maximum ceiling on Pension existed in Presidency Banks. During the times of Imperial Bank of India also, the maximum ceiling on Pension was in existence. The Pension scheme in SBI in earlier times was a defined benefit scheme i.e. it always had an upper ceiling attached to it. Gradually, the Pension scheme of SBI has been liberalized as the upper ceiling has been removed and a concept 50%/40% has been introduced instead.
- 3.3. During the course of the deliberations of the Committee observed that there exists a peculiar case of SBI where the retiral benefits are on higher side as retirees/employees of SBI get three retiral benefits i.e. Pension, Contributory Provident Fund and Gratuity as compared to two retiral benefits in Banking Industry.
- 3.4. It was observed that a concept of 50%/40% was introduced in SBI in the year 1999 since SBI is contributing 10% of Basic Pay towards Provident Fund and the ceiling on pension w.e.f. 01.03.1999 was agreed as under:-
- For pay upto Rs. 8500 p.m.: 50% of the Pay
 - For pay exceeding Rs. 8500 p.m.: 40% of the Pay subject to a minimum of Rs. 4250 pm.
- 3.5. Since then, this concept of 50%/40% is being followed. However, ceilings for cut-off of 50%/40% are being revised after every wage revision.

previous ceiling i.e. Rs.4250/-. Subsequently, the cut-off point for 50%/40% has been linked to Maximum Pay scale of JMGS-I, including stagnation increments after wage revision.

- 3.7. SBI informed that Government had been agreeing to the proposals of revising the ceilings of retirees of 8th BPS, 9th BPS as well as 10th BPS with a ceiling linked to maximum of pay scale of JMGS-I including stagnation increments after every wage revision. However, the pension of retirees of 7th BPS is based on 6th BPS pay scales and needs revision on similar analogy as being done for 8th, 9th and 10th BPS.
- 3.8. At the same time, the Committee observed that SBI pension regulations are not linked to wage negotiations is evident as SBI Pension Regulations came into existence much before Bipartite Settlements.
- 3.9. However, as the pension should ideally be in proportion to the wages/salaries, there should be corresponding rise in pension if wages/salaries are revised. Mode/model of revision of wages/salaries seems to be irrelevant i.e. whether the revision in wages is through Bipartite Settlement or Pay Commission or Board Decision, etc. Since the retirees during the period after 9th Bipartite Settlement and 10th Bipartite Settlement have been allowed with revised ceiling from the date of revision in wages/salaries, there appears a ground for revising the ceilings and aligning the dates to the extent possible.
- 3.10. On the basis of justifications given by SBI, the Committee was in agreement that rise in Pension should ideally correspond with rise in wages/salaries.

- 3.11. The Committee also observed that as regards the concept of 50%/40%, in view of the three retiral benefits in SBI where 10% contribution is being made by the employer in Provident Fund(i.e. the third retiral benefit), the concept of 40% pension instead of 50% after a certain pay(i.e. ceiling based) is logical and reasonably justified. There was no objection from the SBI on this aspect during the deliberations with SBI as the same has been in practice of long time and has stood the test to time, the same is acceptable.
- 3.12. During the course of the deliberations of the Committee and the response of IBA, it was observed that there may be some contagion effect, direct or indirect, on revising the ceilings/aligning the dates in SBI to some extent.
- 3.13. The ceiling of pension for retirees in respect of SBI was Rs.2400/- which was 50% of DMD's Maximum Basic Pay, i.e., Rs.4800/-. This maximum pay was arrived at bank level on the basis of maximum pay of the General Manager of Public Sector Banks at the material time, as per Joint Note dated 24.9.1985. The maximum of GMs Basic Pay was Rs.4600/-. As the Industry level wage revision settlement is applicable up to GMs level, the pay scales of CGM/DMD in SBI are fixed at bank level. The ceiling of maximum pension in SBI to be increased from Rs.2400/- to Rs.3775/- w.e.f. 1.11.1987, based on the maximum basic pay of DMD which was fixed at Rs.7550/- on the basis of Joint Note dated 11.6.1989 has some weight age.
- 3.14. It was also informed that the Salary revision under 6th wage settlement was made effective for Award Staff w.e.f. 1.11.1992 and for Officers, it was made effective from 1.7.1993. Pension is calculated on the last drawn 'pay' which was revised in case of Award Staff w.e.f. 1.11.1992 and for officers w.e.f. 1.7.1993.


- 3.15. Under 8th wage settlement, the cut off point for 50%/40% concept was Rs.21040/- i.e., maximum basic pay of JMG-I in PSBs. The corresponding stage of Rs.21040/- of JMG-I under 7th wage settlement was Rs.14240/-. Therefore, Rs. 14240/- for cut off point for 50%/40% appears appropriate w.e.f 1.11.1997 for Award Staff and 1.4.1998 for Officers. However, in the Banking Industry, DA merger points upto 1616 were taken into consideration for the purpose of pension calculation w.e.f. 1.11.1997/1.4.1998 to 30.4.2005 instead of merger points of 1684. From 1.5.2005 onwards, the pension calculation for the retirees between 1.11.1997/1.4.1998 and 31.10.2002 merger points of 1684 has been restored for the purpose of pension calculation. While Rs. 14240/- could be fixed as cut off for calculation of pension @ 50%/40%, however, the corresponding stage could be arrived at by dividing the average basic pay by 1684 and multiplying it by 1616 for payment of pension between 1.11.1997/1.4.1998 to 30.4.2005.
- 3.16. The demand made by SBI to shift the date to 1.11.2002 from 1.5.2005 may have merit, however, the pensioners of other PSBs may raise a similar demands and approach the Courts for relief and there shall be contagion affect/repercussions in the banking industry.
- 3.17. The Committee was of the view that as the concept of cut off point for 50%/40% is now linked to the maximum basic pay of Scale-I in respect of SBI, a separate provision after every wage revision may not necessarily be required. An automatic linking of pension with wage revision is desirable in Pension Regulations.
- 3.18. SBI had informed that around 1637 pensioners are covered under 5th BPS, 1801 pensioners are covered under the 6th BPS, 27558 pensioners are covered under 7th BPS and 7945 pensioners are covered under the relevant period of 8th BPS. The Committee observed that around 30,996 pensioners may be benefited in case the recommendations made by the Committee are accepted in toto.

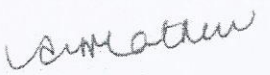
CONCLUSION AND RECOMMENDATIONS


- 4.1. In keeping with all of the above considerations, justifications and detailed discussions with IBA, SBI and DFS, the Committee concludes and makes the recommendations in following paragraphs.
- 4.2. Since SBI is contributing 10% of Basis Pay towards Provident Fund i.e. the third retiral benefit, the extant concept of 50%/40% in SBI is justified and appropriate.
- 4.3. As regards, the revision of ceiling of Pension for the retirees of 5th Bipartite Settlement period w.e.f. 1.11.1987, the same may be raised to Rs. 3775/- p.m. based on the maximum basic pay of DMD which was fixed at Rs.7550/-.
- 4.4. The demand for shifting the date from 1.11.1993 to 1.11.1992 for Award Staff and for officers to 1.7.1993 is justified in case of SBI, i.e., the date from which pay scales of Award Staff and Officers were revised.
- 4.5. While the cut-off ceiling in pay in 50%/40% concept for pension may be revised to Rs. 14240/- w.e.f. 1.11.1997 for Award Staff and 1.4.1998 for Officers i.e. the pension for the pay upto Rs. 14240/- p.m. be calculated at 50% of the pay and for pay exceeding Rs. 14240/- p.m. be calculated at 40% of the Pay and the payment of pension be made by arriving at the corresponding stage by dividing the average basic pay by 1684 and multiplying it by 1616 for the period between 1.11.1997/1.4.1998 to 30.4.2005, subject to a minimum of Rs. 6883/- for 40% slab i.e. is half of Rs. 13665 which emanates from the calculation of Rs. 14240/- multiplied by 1616 and divided by 1684.

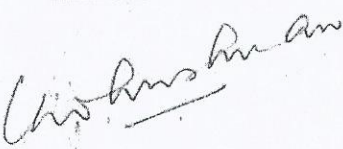
4.6. The justification for shifting the effective date from 1.5.2005 to 1.11.2002 for cut off point of Rs.21040/- is not acceptable and the extant date may be continued.


4.7. The Committee also proposes that SBI may consider moving a proposal for amending pension regulations for automatic linking of the cut-off ceiling in pay in 50%/40% concept of pension with maximum pay of JMGS-I Scale in SBI and streamlining the pension regulations making provisions related to pension ceilings as regular Regulations.


(Shri G.C. Murmu)
Chairman


(Smt. Annie G. Mathew)
Member


(Smt. Vandana Sharma)
Member


(Shri K. Unnikrishnan)
Member


(Shri S.R. Mehar)
Member Secretary

Dated: October 24, 2016