



ALL INDIA BANK RETIREES' FEDERATION

D-1/1, Sector-C, Scheme-71,
Near Kasara Bazar School, Indore – 452 009.

Ref: 2014/85

01.04.2014

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Sri Anindya K. R. Basu
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Dr.G.S.Jog

Treasurer

Sri M.S.Chourey

The Office Bearers/Central Committee Members/ Chief of State Bodies
A.I.B.R.F

Dear Sir

PENSION UPDATION OF PAST RETIREES
ANALYSIS OF RELATED ISSUES

As you are aware that AIBRF has identified three major pension related issues for resolution in the 10th wage settlement. They are (a) Uniform DA to all pensioners (b) Improvement in family pension on the lines of RBI (c) Updation of basic pension. Accordingly, we have been working for last 3 years to achieve them.

2. We are happy to inform you that in the meeting held on 14th March, 2014, UFBU had raised all the above three issues for discussion and negotiation and IBA has agreed to discuss them for solution. On the basis of communication issued by UFBU after the meeting and oral feedback received, IBA is ready to consider demand no 1 & 2 on priority basis and will also examine demand of pension updation for past retirees keeping in mind the cost factor. We have already submitted detailed note on DA related issues vide our circular no 2014/10 dated 10.02.14. We below give some vital points/ facts related to the pension updation issue for your information and suggestions if any from your side on the subject.

WHAT IS PENSION UPDATION

There are three components in the pension scheme applicable to bank retirees (a) Basic Pension (b) Dearness Allowance (c) One- time payment of commutation on optional basis.

Updation exercise is related to component no (a) i.e. BASIC PENSION. It is universal practice that while reviewing pay and allowances of the employee the first and foremost exercise carried out is RE-SETTING OF THE BASIC PAY according to the movement of inflation in the intervening period, business growth of the employer and general economic environment of the country.

The similar exercise need to be carried out periodically in the case of pensioners too as pension is nothing but deferred salary payable after the retirement. The basic pension need to be re-set in tune with the increase given to the employees in the basic pay in the wage settlement.

Government of India has been doing exercise of updation of basic pension for its past retirees in each pay commission since 5th Pay



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Commission in view of the historical decision of the constitutional bench of Supreme Court in famous case of NAKARA V/S UNION OF INDIA.

The another important point to be noted is that whenever we talk of pension updation it necessarily relates to the past retirees. As far as employees are concerned their basic pension gets automatically updated with each wage settlement and with each increase on basic pay.

Pension updation is nothing but to realign the basic pension of the past retirees with the basic pension of future retirees. It should not happen that two members of the pension funds holding similar positions in the organisation are discriminated in fixation of the basic pension on the basis of their date of birth and date of retirement.

WHAT IS THE POSTION OF PENSION UPDATION IN BANKING INDUSTRY AND FINANCIAL SECTOR (HUGE BACK LOG)

Pension scheme under the provisions of Pension Regulations 1995 was introduced in the banking industry with retrospective effect of 1st January,1986.

As all of you know the exercise of pension updation has not been carried out for last 28 years since 1986 despite the fact that it is quite long time period , CPI representing inflation has increased 10 times , salaries of the employees have been revised 5 times, banks net profits have gone up 10 times country's GDP has gone up 8 times. Therefore there is a very strong case for updation of pension for past retirees.

This situation has created huge backlog in respect of pension updation for the past retirees in the banking industry as can be seen from the following data

Retired Between	CPI merged in Basic Pension	Present CPI	Difference
1986- 1992	601	5501	4900
1992- 1998	1149	5501	4352
1998- 2002	1684	5501	3817
2002- 2007	2190	5501	3211
2007- 2012	2664	5501	2957
After 2012	4400	5501	1101



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This position can be further understood from the following data

Category of Retiree	B. Pension Under 5 th sett.	B. Pension Under 9 th sett.	Difference
Sub-staff	760	5500	4740
Clerk	1430	9150	7720
Officer MM I	2010	12850	10840
Officer MM II	2195	14050	11865
Officer MM III	2455	15750	13295
Officer SM IV	2675	18100	15425
Officer SM V	2975	20200	17226
Officer TM VI	3275	23400	20125
Officer TM VII	3500	26000	22500

It can be seen from the above statistics that in last 28 years basic pension has gone up by 6 times and the gap will further increase unless updation exercise is carried out for past retirees before conclusion of 10th settlement.

WHY THIS SITUATION

It becomes highly depressing and frustrating for the past retirees to see that while their basic pension remains stagnant without any review, basic pension of future retirees get automatically updated with every wage revision. They have been therefore agitating on this count and have been demanding updation of basic pension in this settlement with clearance of backlog of all the past settlement.

Let us analyse the reasons for this situation. As all of you know that the pension option was exercised by only 40 percent employees originally in 1995 and majority of employees did not find the pension scheme very attractive on the basis of their own analysis, inputs received from certain quarters and some systematic propaganda carried out against it. It took almost 15 years for the unions to correct this situation. Up to 9th settlement the priority for the unions was not updation exercise for the past retirees but to ensure one more pension option for the leftovers.



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Therefore for delay in updation exercise, to large extent, employees and retirees can blame themselves.

However, there is qualitative change in the position after one more pension option given to the leftover under 9th settlement and today more than 98 percent retirees are pensioners.

PRESENT ENVIROMENT TOWARDS PENSION UPDATION

We are happy to mention that today the overall environment towards pension updation for past retirees is favourable and positive in view of the following facts

(1) More than 98 percent retirees are pensioners and now agenda for all concerned is improvement in pension including updation of pension.

(2) All retiree organisations as well as all unions under the banner of UFBU have been demanding pension updation

(3) It is seen that it is being discussed with all seriousness by IBA and UFBU .

(4) RBI retiree federation with full support of the unions are agitating for pension updation. We understand that RBI Governor, in the meeting with union leaders has given assurance to carry out pension updation exercise in near future.

(5) LIC & GIC retirees are also demanding pension updation in their organisations and are agitating for it. LIC comrades are fighting legal battle for pension updation.

(6) We have come to know from unconfirmed sources that Labour Minister and Department of Personnel in Home Ministry have prepared detailed note on pension updation in financial sector to be placed before the new government.

(7) United Forum of Bank Unions (UFBU) have been relentlessly taking up the matter at IBA/ Government level for solution in the ensuing wage settlement.

(8) AIBRF has been continuously fighting for solution of the issue and last organisational action in this regard was highly successful dharna programme at Jantar Mantar Delhi on 7th March,2014

(8) Recently three major retiree organisations which represent more than 85 percent of bank retirees including AIBRF have come together on the



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issue of pension updation and on some other common demands and have issued joint appeal.

CONSIDERING THE ABOVE, WE ARE QUITE OPTIMASTIC THAT ISSUE OF UPDATION WILL BE ADDRESSED IN THE FORCOMMING SETTLEMENT. HOWEVER, IT IS HIGHLY COMPLEXED MATTER AND NEED TO WORK FOR THE SOLUTION WHICH SATISFY ALL CATEGORIES OF RETIREES.

OUR DEMANDS ON PENSION UPDATION

Our demands in this regard are as under

(1) Dearness Allowance should be merged at CPI 4440 as being done for employees under 10th wage settlement for all categories of past retirees.

(2) Date of effect for updation should be 1st November, 2012, the date agreed for extending benefit to employees under 10th wage settlement.

(3) While constructing new basic pension after merger of DA at CPI 4440, formula given under 6th pay commission for updation should be applied.

(4) Concept of higher basic pension to the super senior citizen as given to government retirees under 6th pay commission should be introduced for bank retirees under 10th wage settlement.

(5) Basic pension should be restored after 12 years instead of present 15 years for commutation.

(6) Pension Regulations should be suitably amended to make specific provisions for pension updation for past retirees at the time of each wage settlement as originally envisaged in the settlement signed for introducing pension scheme in the banking industry.

(7) The matter should be discussed with AIBRF and other retiree organisations and they should be taken into confidence before finalising the settlement.

THE ABOVE DEMANDS ARE REALISTIC AND REASONABLE. WHAT WE ARE DEMANDING THERE IS NOTHING NEW IN IT. THESE BENEFITS ARE ALREADY BEING EXTENDED TO THE RETIREES IN THE GOVERNMENT SECTOR FROM THE YEAR 2006.

COST FACTOR



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The biggest argument coming against pension updation is paucity of funds. Therefore it is necessary to examine the issue from this angle. We would like to place some facts in this regard as under

(1) We have examined data of pension funds of previous years in respect of some banks received under RTI. It is observed that there is no undue strain on the balance sheets of pension funds during last 15 years despite the fact that dearness allowance has increased by almost 800 percent during this period, one more pension option given to almost 4 lakhs employees/ retirees in 2010 and high increase in commutation amount for new retirees due to inflation factor.

(2) we below give data of pension fund of one bank collected under RTI in support of our contention given above.

(a) Growth in pension fund- From 174.36 crores in 1996-1997 crores to 8767 crores at the end of March 2014. It has increased by about 5000 percent in last 19 years after meeting all pension liability. The major growth in this fund is mainly due to the interest income and statutory contribution received in lieu of provident fund.

(b) The receipts and payment position of pension fund in this bank during last 5 years are as under

(Amount in crores)

Year	Receipts (Int. + Contribution)	Payments (Pension+ Commutation)	Surplus
2008-09	110.46	36.59	73.87
2009-10	93.79	41.84	51.95
2010-11	455.59	100.03	355.56
2011-12	863.8	168.05	695.75
2012-13	944.98	194.41	750.57

(3) Position of pension funds in other banks too is more or less on similar lines and they have shown healthy growth in last 28 years.

(4) We are of the view that present accounting system of funding pension liability need to be re-looked and it should be made simple and on the lines of government pension funding. Today, total corpus under pension fund in the banking industry is about Rs.1.10 lakhs crores. Legally speaking, this money does not belong to the members of pension fund. But these are basically provisions made by banks for meeting future



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pension liability in smooth and in uninterrupted manner. Imagine, in case this amount of Rs. 1.10 lakhs crores is transferred to the capital account of banks and pension liability is met out of profit and loss accounts on the lines of employee cost, it can change whole balance sheets of banks and improve their capital adequacy ratio and Indian banks may be re-rated. It can become win-win situation for all concerned. Though it will need lot of changes in the present legal provisions.

On the basis of above analysis, we can say that fund position should not become constraint in the way of carrying out long pending pension updation exercise. Further, the retirees have legitimate claim on profits of banks and additional funds if required for this purpose should come from growing profits of banks.

AIBRF STRATEGY ON ACHIEVING DEMAND OF PENSION UPDATION

Pension updation exercise in the ensuing settlement is the most important demand for AIBRF. We have been working and shall continue to work in coming days to achieve it. Our strategy/ efforts on this count can be divided into the following three parts

(1) CORDINATION

(2) REPRESENTATION

(3) AGITATION

CORDINATION: We strongly believe that this demand can be achieved with close coordination with UFBU and its constituents who will negotiate the demand with IBA for final agreement under the present format of wage settlement in the banking industry. We are happy that UFBU has included this demand in their charter of demands and have been raising the issue during negotiation meetings. We shall take further steps to increase the coordination with unions as and when required. In fact we are grateful to Unions and its visionary leaders who could realise the need of pension scheme on the lines of government sector for bank retirees as the best social security in 90s, struggled for it and ultimately achieved it. This is the best gift received by the bank retirees from unions and we shall always salute these great leaders for this precious gift without which life of retiree would have been full of financial hardships and struggle for survival.

We also believe in developing coordination with apex level retiree organisations for taking joint action to achieve this demand. Recently 3 major retiree organisations have issued joint appeal on retiree demands including demand of pension updation. AIBRF is one of the signatory on



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the joint appeal. We shall take further steps in this regard as and when needed.

REPRESENTATION Our next action plan to achieve this demand is to represent the demand before the concerned authorities who matter in this regard like IBA, Government, Members of Parliament, Politicians, Senior Officials of DFS etc. In fact, we have submitted many representations to them in the past on the issue. We shall take further steps in this regard as and when needed.

We have been demanding that IBA must hold meeting with representatives retirees on the issue before arriving the settlement. We shall continue to pursue it further.

AGITATION: Organisational action programmes are the important tools to struggle and achieve the demands. We have held highly successful DHARNA PROGRAMME at Jantar Mantar, New Delhi on 7th March, 2014. It has given clear message to the concerned authorities that retirees have also capacity to organise agitational programmes effectively. It has also created new confidence among our members.

This route will be further used in the coming days if needed to achieve our demands. We have chalked out many format of agitational programmes which will be rolled out as and when needed depending on the developments in this regard. We call upon our members to be ready to participate in such programmes with full strength.

WE ARE FULLY CONFIDENT THAT WE SHALL ACHIEVE THE DEMAND OF PENSION UPDATION IN THIS SETTLEMENT TO THE SATISFACTION OF ALL CONCERNED.

AIBRF ZINDABAD

BANK RETIREE UNITY ZINDABAD

REGARDS

Yours Sincerely

**(S.C.JAIN)
GENERAL SECRETARY**