

## **A. NOTE ON UNIFORM DEARNESS RELIEF TO ALL THE PAST RETIREES:**

Dearness Allowance in the banking industry is linked with the consumer price index and was calculated on basic pay/ basic pension on tapered basis up to 7<sup>th</sup> settlement. The unions were demanding uniform DA rate on the entire basic pay/ basic pension known as 100 percent DA neutralisation for several years from one settlement after another. However the success on this count could be achieved almost after follow up and continuous efforts for more than two decades in the eighth settlement. However the benefit of 100 percent DA neutralisation was not extended to those who retired before effective date of 8<sup>th</sup> settlement.

Past retirees who retired prior to November 2002 have been agitating and fighting on this issue at the organisational level and legally for last more than 8 years as they consider it as the gross injustice to them. This is the core issue for all the retiree organisations operating in the banking industry.

We are of the firm view that this core issue must be addressed and resolved in the 10<sup>th</sup> settlement to the satisfaction of the affected retirees.

Therefore it is necessary to understand the issue in its entirety. The following points are worth noting on this issue.

### **WHO ARE GETTING 100 PERCENT DEARNESS ALLOWANCE AT PRESENT**

- (1) All categories of employees who are in service of the bank
- (2) All Retirees who retired from the bank service on or after 1<sup>st</sup> November 2002.
- (3) All-Pre 1986 retirees on basic component of ex-gratia
- (4) All spouses of pre-1986 retirees on basic component on ex-gratia (As per the recent guidelines of the government)
- (5) Pensioners who retired between 01.01.1986 and 31.10.1992 and draw basic pension up to Rs. 1250/-
- (6) Pensioners who retired between 01.11.92 and 31.03.1998 and draw basic pension up to Rs. 2400/-
- (7) Pensioners who retired between 01.04.1998 and 31.10.2002 and draw basic pension up to 3550/-
- (8) Virtually all family pensioners.

As per the data available to us, this group who receive 100% DA benefit constitute 80 percent of total pensioners in terms of number and share 85 percent of total pension bill.

### **WHO DO NOT GET 100 PERCENT DA NETURLISATION**

The following three categories of the retirees at present do not get 100 percent dearness allowance

- (1) Those who retired between 01.01.1986 and 31.10.1992 and draw basic pension more than 1250/-

(2) Those who retired between 01.11.1992 and 31.03.1998 and draw basic pension more than 2400/-

(3) Those who retired between 01.04.1998 and 31.10.2002 and draw basic pension more than 3550/-

This group constitutes 20 percent in terms of number and 15 percent in terms of pension bill.

<b>PENSIONERS</b>	<b>NUMBER</b>	<b>PENSION BILL</b>
(1) Getting 100 percent DA	80 percent	85 percent
(2) Not getting 100 percent DA	20 percent	15 percent

### **HOW MUCH LESS THEY GET**

At 5211.91 index which has determined DA for 6 months from August 2013 to January 2014, the above categories of retirees get the following amount of D.A.

#### **(1) Those retired between 01.01.1986 to 1.11.92 ( Slab 1152 )**

<b>Basic Pension</b>	<b>DA at present</b>	<b>DA at 100 Percent</b>	<b>Difference amount</b>	<b>Diff. per Slab</b>
Rs. 1251 to 2000	14400	15436	1036	0.90
Rs. 2001 to 2130	14894	16440	1546	1.34
Rs. 2130 to 3000	16598	23155	6557	5.69

#### **(2) Those retired between 1.11.92 to 01.04.98 ( Slab 1015 )**

Rs. 2401 to 3850	12794	13677	883	0.87
Rs. 3851 to 4100	13225	14565	1340	1.32
Rs. 4100 to 7000	15874	24867	8993	8.86

#### **(3) Those retired between 01.04.98 to 01.11.2002 ( Slab 881 )**

Rs. 3551 to 5650	11206	11946	740	0.84
Rs. 5651 to 6010	11586	12707	1121	1.27
Rs. 6010 to 10500	14223	22201	7978	9.05

## **WHAT WILL BE ADDITIONAL COST IN TERMS OF PERCENTAGE FOR GRANT OF 100 PERCENT DA TO PRE NOV 2002 RETIREES -- CERTAIN FACTS**

(1) Those who retired between 1986 and 2002 are not getting 100 percent DA. These pensioners have completed minimum 11 years and maximum 27 years of retirement and belong to age group of 66 - 70 years.

(2) Number of pensioners belonging to this group is now decreasing due to time factor and advancing age.

(3) After death of pensioner, either pension is stopped or converted into family pension. In either case number of pensioner not getting 100 percent DA gets reduced. This phenomena is on increase in last a few years.

(4) Basic pension of this group is comparatively almost 3 times lower than those retiring now and enjoying benefit of 100 percent DA. Therefore, financial burden for increase will be limited.

Based on the data given above, we below give approximate additional cost for granting 100 percent DA to the leftover pensioners.

LEFT OVER PENSIONERS	20 PERCENT OF TOTAL
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INCREASE IN PENSION OF LEFT OVER DUE TO GRANT OF 100 PERCENT DA	8 PERCENT APPROX
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LEFT OVER CONSTITUTE OF TOTAL PENSIONER IN TERMS OF NUMBER	20 PERCENT
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PENSION BILL OF LEFT OVER COMPARED TO TOTAL BILL	15 PERCENT
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OVERALL ADDITIONAL BURDEN ON TOTAL PENSION BILL FOR GRANT OF 100 PERCENT DA TO LEFT OVER ( $8 \times 15 / 100$ )	1.2 PERCENT
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NEXT 5 YEARS ADDITIONAL BURDEN LIKELY TO COME DOWN DUE TO MORTALITY FACTOR	BELOW 0.5 PERCENT
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### **WHY DEMAND OF 100 PERCENT DA TO LEFT OVER IS JUSTIFIED**

(1) Inflation affects adversely all retirees at the same degree.

(2) Discriminatory in nature.

(3) All Government Pensioners/ RBI pensioners from where pension regulations were drawn, have already received benefit of 100 percent DA from retrospective date.

(4) Clause 6 of the pension settlement between unions and IBA specifically provide for grant of DA at the rates applicable to RBI pensioners. Therefore the demand has legal backing too.

(5) According to unions too, the agreement arrived in 8<sup>th</sup> settlement excluding pre-November 2002 retirees was temporary arrangement to meet the cost factor of the settlement and to introduce the concept of 100 percent DA in the banking industry for which was fighting for 2 decades.

(6) All constituents of UFBU have included in their charter of demands

(7) Additional financial cost to grant 100 percent DA to left over is limited.

### **OUR DEMAND ON THE ISSUE**

(1) 100 percent DA to ALL pre- November, 2002 retirees

(2) Arrears in this respect should be paid from 01-02-2005

(3) This demand should be discussed on priority basis as and when retiree issues/ superannuation benefit are taken up for discussion during 10<sup>th</sup> settlement.

(4) AIBRF should be consulted and taken into confidence before reaching any agreement on the issue.

(5) Any improvement brought in DA formula for employees/ future pensioners in 10<sup>th</sup> settlement should be made applicable to all the past retirees too without any discrimination.

(6) Review of DA for pensioners should be on quarterly basis or at the interval made applicable for the employees in this settlement.

## **B. NOTE ON PENSION UPDATION TO PAST RETIREES:**

### **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 5<sup>th</sup> Pay Commission in view of the historical decision of the constitutional bench of Supreme Court in the famous case of D.S.NAKARA Vs 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 1<sup>st</sup> 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

<b>Retired Between</b>	<b>CPI merged in Basic Pension</b>	<b>Present CPI</b>	<b>Difference</b>
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

This position can be further understood from the following data

<b>Category of Retiree</b>	<b>B. Pension Under 5<sup>th</sup> BPS</b>	<b>B. Pension Under 9<sup>th</sup> BPS</b>	<b>Difference</b>
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 10<sup>th</sup> 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 9<sup>th</sup> settlement the priority for the unions was not updation exercise for the past retirees but to ensure one more pension option for the leftovers. 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 9<sup>th</sup> 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 Retirees' 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 7<sup>th</sup> March 2014

(8) Recently three major retiree organisations which represent more than 85 percent of bank retirees including AIBRF have come together on the 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 10<sup>th</sup> wage settlement for all categories of past retirees.

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

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

(4) Concept of higher basic pension to the super senior citizen as given to government retirees under 6<sup>th</sup> pay commission should be introduced for bank retirees under 10<sup>th</sup> 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**

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	863.80	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 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 for sharing profits and additional funds, if required for this purpose, should come from growing profits of banks.