



# 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,  
State Secretaries, Special Invitees, Advisors, Affiliates, constituents of CBPRO and members.**

**Dear Comrades,**

**Sub : Pension Updation in the Banking Industry.**

We are reproducing hereunder the text of our letter written on date to The Chairman, IBA, Mumbai on the above noted subject for information of members.

With best wishes and regards,

**Suprita Sarkar  
General Secretary**

Enclo: as stated.

**AIBPARC/IBA/PENSION UPDATION/EMAIL/2022**

**Date : 17.08.2022.**

**The Chairman,  
Indian Banks Association,  
Mumbai.**

Respected Sir,

**Sub : Pension Updation in the Banking Industry.**

We like to draw your kind attention to the undernoted facts :

**1) Whether the concept of updation of pension is not there in BEPR 1995 ?**

The issue was discussed and agreed in the Minutes signed to provide for Pension Updation in the Pension Regulations and accordingly the Pension Updation formula followed by the Central Government was specifically incorporated in Appendix to Regulation 35(1) to update the basic pension of those who retired between 1.1.1986 and 31.10.87 since this batch of retirees were the only group whose pension had to be updated to the 5<sup>th</sup> Bipartite Settlement/ corresponding joint note when Pension Scheme was introduced in Banks. Thereafter, Regulation 35 (1) was amended in 2002/2003 in terms of powers conferred under section 19 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, and the amendment was duly gazetted. The amendment mandated that the basic pension and additional pension, wherever applicable shall be updated as per formulae given in the Appendix to Pension Regulations 1995. If DA linked to CPI cannot be denied by

withholding its periodical publication, the periodical updation of pension cannot also be denied by withholding publication of the Updation formulae for every wage revision effective from 2002. The amendment made in 2002/2003 has to be respected.

2) **The implications of the amendment and the huge sacrifice made by Pensioners :**

In terms of the above noted amendment, pension has to be revised with reference to all wage revisions from 5<sup>th</sup> Bipartite Settlement/corresponding joint note to 11<sup>th</sup> Bipartite Settlement/ corresponding joint note effective from 2002 and arrears be paid thereon. The retirees in order to avoid protracted litigations made a compromise to have pension updation from the 8<sup>th</sup> BPS onwards foregoing their arrears of pension updation till 31.10.2017. The Pensioners upto 31<sup>st</sup> October, 2017 are now aged between 65 and 96. The sacrifice of updation arrears by the old pensioners as well as family pensioners is a windfall gain to the banks. The interest earned on this gain since 2002 is enough to service the cost of updation to the old pensioners while for the pensioners from 9<sup>th</sup> BPS onwards, pension updation has been made meaningless as unfortunately special allowance not being reckoned for pension. Therefore, the talk of additional cost is a fiction.

3) **Concept of Funded Pension Scheme is a misnomer :**

The Defined Benefit Pension Scheme of the bank employees cannot be termed as a funded pension scheme. A funded scheme is one where the contribution to the fund is fixed and the return from the fund determine the pension payable periodically. Whereas in Defined Benefit Pension Scheme, actual pension paid is charged to P/L Account in “pay as you go” method and contribution made as per annual actuarial valuation is charged to P/L Account in Corpus Method. BEPR (1995) requires 10% contribution every month and the shortfall, if any, as per annual actuarial valuation at the end of the year is made good by the bank. The New Pension Scheme (NPS) where the contribution is defined is a funded scheme and the contribution stands in the name of each individual employee whereas in the old defined benefit scheme, the corpus does not stand in the name of any individual employee.

4) **Pension and its updation – a statutory obligation :**

Bank’s obligations towards pension pay outs are statutory in nature since BEPR (1995) is a subordinate legislation. If payment of monthly pension is a statutory obligation, then pension updation is also an obligation in view of amended Regulation 35(1). Pension updation is, therefore, a charge to P/L Account and not an appropriation out of profits. Judged by this standard, the balance-sheets of the bank that are drawn till date are violating the basic accounting norms as they do not reflect Bank’s statutory obligations and hence do not disclose a true and fair view of the affairs. As pension is regarded as a deferred wage, whenever wage gets revised, the deferred wage should also be revised. Since pension is a deferred wage, continuation of the status as a pensioner depends on his/her future good conduct exactly like the continuation of an employee to receive monthly wages/salary depending on his good conduct.

5) **Cost of updation – a myth :**

Cost of pension, as reportedly estimated by IBA, is neither transparent nor substantiated. Even it is assumed that the astronomical cost is true, it is the funding cost for the entire life-time of the pensioners – present and future. All the recruits till 2010 come under the purview of BEPR (1995). Even if the last batch recruited in 2010 were around the age of 24 years, they would reach the actuarial life expectancy age of 82 in 2068. In other words, if the funding cost of Rs.80000 crore is amortized over next 46 years from 2022, it amounts to only Rs.1740 crore per annum for all the banks taken together. This means that average annual cost is a meagre Rs.158 Crore per bank to meet the statutory obligation to pensioners.

6) **Demand for immediate publication of updation formula and making payment of updated pension :**

The statutory obligation of the bank to update pension has to be met with by banks by publication of updation formula for each wage revision. In case of doubt of what formula is to be adopted, the precedence is that of the formula followed for retirees between 01.01.1986 to 31.10.1987 because it is the formula of updation of pension for Central Govt. Employees of that period which was considerably improved in subsequent Pay Commission

Recommendations. As the Bank Pension Scheme is available in RBI, the updation formula has to be at least as per RBI formula. Further in case of any doubt, Regulation 56 of BEPR (1995) requires reference to Central Govt Pension Rules.

We request you earnestly to consider the above points with sympathy and favour and take suitable steps at an early date to give effect to updation of pension.

With kind regards,

Yours faithfully,



( K.V. ACHARYA )  
PRESIDENT AIBPARC  
& JOINT CONVENOR, CBPRO



( S. SARKAR )  
GENERAL SERETARY, AIBPARC