



## **Andhra Bank Retired Employees Association (ABREA)**

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**A.Rajendra Prasad, President**

**NSN Reddy, General Secretary**

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Dear Members,

**Reg: 1616-1684 issues pertain to employees retired on or before 30.04.2005 – Payment of Commutation Arrears.**

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The payment of commutation arrears relating to **employees retired prior to 1<sup>st</sup> May 2005** is a long pending issue in the banking industry. All retiree organisations have been working sincerely to get the due benefit to the eligible retirees. In this context, we wish to bring the facts of the case here under to clear the doubts and myths associated with the payment of commutation arrears.

### **Background:**

Normally, the banks include additional notional service to the employees who exit the bank on VRS as per the guidelines for the purpose of arriving terminal benefits, fixation of basic pension and payment of commutation thereof. However, some banks have not considered the notional service for VRS employees. Similarly, there were aberrations in DA merger formula thereby the employees who retired on or before 30<sup>th</sup> April 2005 were deprived of increased DA benefit.

In view of the above circumstances, some of the retirees of erstwhile State Bank of Mysore (e-SBM), who took VRS in the year 2001, had filed a writ petition in Karnataka High Court in the year 2012 against the bank for sanction of 5 years' additional notional service benefit for the fixation of basic pension and also arrears from the date of retirement to 20.04.2005 in respect of 1616-1684 point DA merger. Though, the petitioners succeed the case in Karnataka High Court, e-SBM did not implement the court directions and not paid the arrears and preferred to file Special Leave Petition (SLP) in Supreme Court.

The petitioners fought the case vehemently and appealed the court for payment of DA arrears and increased commutation with interest. Supreme Court delivered judgement in favour of the petitioners in the month of February 2018. However, the court order was not implemented by SBI (since SBM merged with SBI). Thus, the petitioners filed a contempt petition against SBI management and won the case. To avert contempt of court proceedings, SBI preferred payment of DA and Commutation arrears with interest with prospective recovery. However, it is to be noted that **SBI has extended the benefit of prospective recovery only to the petitioners** and with regard to the remaining eligible retirees, commutations arrears are paid with simultaneous recovery.

### **Status in other Banks:**

In the above backdrop, the Indian Banks' Association (IBA) has issued a circular directing the banks "to give effect to the judgment and pay the differential arrears in the amount of the pension which was due and payable with 9% interest within four months from the date of judgment i.e. 13.02.2018". The historical court judgments and the subsequent IBA directions have benefited not only the petitioners (e-SBM) but also the retirees of all banks by way of DA arrears and Commutation arrears along with interest. Though, the banks have paid DA arrears to the eligible retirees, it is found that there is no uniformity among banks in payment of commutation arrears especially with regard to recovery of commutation amount.

In the light of Supreme Court/Karnataka High Court judgments, many banks again sought clarification from IBA with regard to recovery procedure of commutation amounts – whether to be made from the date of commutation or from the date of disbursement but there is no response till date.

The interpretation of the judgment on "recovery" procedure has invited sufficient debate. AIBRF also represented several times to IBA to advise the banks to pay arrears with specific instruction to recover the amount from future date. While IBA has accepted representation and asked banks to pay arrears in respect of commutation, but not ready to advise specifically to banks to recover the amount from the future date. Since IBA is silent on the subject matter and in the process many banks have commenced calculation of commutation arrears and started paying the arrears with simultaneous recovery.

As per the reports, so far all the banks have adopted the same procedure with regard to recovery i.e. simultaneous recovery, while making payment of commutation arrears.

### **Status in Andhra Bank:**

In view of the ongoing merger of our bank with Union Bank of India (UBI), ABREA has taken a conscious decision to pursue the matter with our management and ensured that the arrears are paid before the merger as UBI took inordinate delay in paying DA arrears of 1616-1684 and the process of calculation of commutation arrears is likely to be delayed. With our constant persuasion, Andhra Bank has completed the process of commutation of arrears and paid to all eligible retirees in the month of November 2019. It is not out of place to mention that Andhra Bank was the first few banks in payment of commutation arrears and some of the banks not yet paid the commutation arrears.

As a responsible organisation and to protect the interest of the retirees, ABREA has addressed a letter to the management to implement the supreme court judgement in toto and the subject matter was also discussed in Grievance Redressal Meeting held on 17.12.2019. ABREA demanded for prospective recovery and requested for refund of the excess amount recovered. Management stated that commutation calculations were done as per the guidelines, however, informed that management will consider the request if there are any specific directions from courts. The same was recorded in the minutes of the meeting and circulated to all EC members in the month of December 2019. We have also informed the developments to apex body AIBRF.

Further, ABREA has taken up the issue with AIBRF in Lucknow conference held in the first week of December 2019 and requested the leadership to look in to the matter. Since there is no uniformity among the banks in respect of payment of commutation arrears, AIBRF ceased the matter and constituted a committee to examine the Supreme Court judgement and look in to the various aspects of calculation, interest, recovery and payment of commutation arrears adopted by the banks. Basing on the committee recommendations, AIBRF suggested an action plan to the affiliates in the month of May/June 2020.

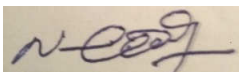
As directed by AIBRF, ABREA has addressed a letter to MD & CEO, UBI with a request to make recovery with prospective effect and refund of the excess amount collected to the retirees. It is informed by AIBRF that filling of contempt petition against the banks on the subject matter, if needed, will be done by the central organisation and accordingly ABREA has given mandate to AIBRF in this regard.

It is a fact that no bank management / IBA has agreed for prospective recovery, despite all out efforts made by all retiree organisations since last two years. Further, the court judgments have also not given any specific instruction to the banks in this regard. Thus, the only option left to the retiree organisations is to approach the Supreme Court through suitable WP seeking clarification on it with suitable order on it. Our apex organisations are working on the subject matter.

Once again, we wish to inform the members that ABREA has initiated all possible steps with regard to release of commutation arrears to all eligible retirees and we are ahead of other banks in this regard. However, the contentious issues will be pursued by AIBRF with the concerned authorities or courts to take the issue to a logical end.

Any developments on the subject matter will be informed to the members from time to time.

**"Stay Home – Stay Safe"**



(N S N Reddy)  
General Secretary



(A Rajendra Prasad)  
President