

## **PENSION UPDATION**

### **Pension Updation in RBI**

1. Government of India vide its notification dated 05.03.2019 has approved formula for pension Updation to RBI pensioners after decade long struggle of employees and retirees.
2. For the purpose of Updation ,RBI pensioners have been divided in 5 groups as under
 

(a) Retired Between 01.01.1986 to 31.10.1987	<b>GROUP A</b>
(b) Retired Between 01.11. 1987 to 31.10.1992	<b>GROUP B</b>
(c) Retired Between 01.11.1992 to 31,10.1997	<b>GROUP C</b>
(d) Retired Between 01.11.1997 to 31.10.2002	<b>GROUP D</b>
(e) Retired Between 01.11.2002 to 31.10.2007	<b>GROUP E</b>
(f) Retired Between 01.11.2007 to 31.10.2012	<b>GROUP F</b>
(g) Retired Between 01.11.2012 to 31.10.2017	<b>GROUP G</b>
3. As per the above notification of the Government, pension will be updated for the groups as under

GROUP	INCREASE IN BASIC PENSION
GROUP A	As per Court order + 3.63times
GROUP B	As per Court Order + 3.63 times
GROUP C	As per Court Order + 3.63 times
GROUP D	3.63 times
GROUP E	2.44 times
GROUP F	1.76 times
GROUP G	to be negotiated

### **DEARNNESS RELIEF**

Dearness Relief for all the groups after updation will be calculated on CPI Index 4440. From February 2019 onwards rate of DR is 61.1 per cent of Basic Pension.

### **EFFECTIVE DATE 01 MARCH, 2019**

#### **INCREASE IN PENSION ON UPDATION**

GROUP	PRESENT BASIC	DR	TOTAL	UPDATED BASIC	DR	TOTAL	INCREASE	PER CENT
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D	100	312	412	363	221	582	170	41.36
E	100	206	306	244	149	393	87	28.43
F	100	152	252	176	107	283	31	12.31

### **LOGIC CONSIDERED FOR ARRIVING UPDATION FORMULA**

1. CPI at which DA was merged in the last settlement
2. CPI at which DA was merged in the present settlement
3. Difference between two CPI / slabs
4. Rate at which DA being paid per slab
5. 10 per cent notional increase.

### **Analysis as how pension Updation demand has been achieved in RBI**

- (1) RBI Central Board sanctioned updation in 2004 for pensioners under Group A to C.
- (2) Despite Government of India objection against sanction of the updation for pensioners under group A to C, payments continued through court intervention.
- (3) Simultaneously, Retiree organisation in RBI with the support of employee/ officer unions raised demand of pension updation to all pensioners along with each wage settlement from time to time.
- (4) Employee/ officer unions extended full support to the demand and gave call of strike and mass casual leave from time to time to put pressure on the government/ RBI**
- (5) RBI management also extended support to the demand and **successive governors** took up the issue of pension updation with the Finance Minister/ Finance Secretary from time to time.
- (6) This historical success could be achieved because of the combined efforts of retiree organisations, employee organisations and support of the management.**
- (7) It is the victory not only for RBI pensioners but for entire financial sector. This achievement has given new hopes and confidence to the bank retirees to achieve the demand of updation.
- (8) It is the classic example of achieving success through organisational efforts. RBI retirees showed unity, patience and maturity in achieving the demand.**
- (9) With this achievement, updation is likely to become regular feature in RBI and banking industry,

### **PRESENT STATUS & GROUND REALITIES IN BANKING INDUSTRY ON THE DEMAND OF PENSION UPDATION**

1. Pension updation has been core demand of bank retirees for last several years.
2. AIBRF has been vigorously pursuing the demand since 2005.
3. UFBU and its constituents include this demand in their charter of demands and support it during wage negotiation. However we feel that so far it has not been raised with all seriousness.
4. But of late we find that unions are showing increasing commitment to resolve this demand in the ongoing wage settlement. One major union has now made condition before IBA to discuss and consider updation to resume talks on wage negotiation.
5. However major hurdles in the direction of achieving updation demand are (a) 100 per cent DA to pre-November 2002 yet to be resolved (b) Some cracks seen in UFBU functioning. (c) Effective rapport on the issue is yet to be achieved with UFBU and its constituents. (d) IBA support is most crucial. IBA has so far been reluctant to consider the demand in the name of fund constraint and requirement of additional provisions.
6. Various fringe groups/ individuals remain active in social media whose **uncontrolled expression has potential to vitiate atmosphere.**

7. Many court cases on updation and related issues filed by individuals / retiree organisation pending in courts and their outcome may become big threat in achieving the demand.

**WHETHER RBI FORMUAL SANCTIONED BY THE GOVERNMENT IS ACCEPTABLE TO AIBRF FOR BANK PENSIONERS.**

On the basis of above analysis, we find that under RBI formula sanctioned by the government has the following favorable features:

- (1) It has sanctioned updation formula for all past pensioner's right from the beginning.
- (2) Merger of DA in basic pension has been considered at par with wage settlements for employees
- (3) Further while working out factor for updation, 10 per cent increase has been considered in each settlement.
- (4) Government has agreed in principle to consider updation at the time of each settlement in future too.
- (5) Government has virtually delinked cost factor/ pension fund position for updation and has agreed to consider on the basis of benefits considered for employees in wage settlement.
- (6) In nutshell, RBI formula is taking care of backlog of updation and continuity for future.

**We feel that in case RBI updation formula if implement for bank pensioners, it will meet expectations of bank retirees to large extent as it will give respectable increase in pension to the existing pensioners, almost 100 per cent of bank retirees will get benefited and long pending important demand will be achieved. In view of this AIBRF should accept RBI formula as it is and work and draw strategy to achieve it. Additionally, AIBRF should also demand updation on the same lines for existing family pensioners as well as pre-1986 retirees who are getting ex-gratia.**

1. Pension scheme introduced in banking industry is drawn from models of pension schemes applicable to central government employees and RBI employees. Both the schemes have specific clause of pension updation.
2. Settlement of 1993 for introducing pension scheme in banking industry had specific clause for updation of pension.
3. As per the minutes of meeting of the small committee on pension held on 26<sup>th</sup> March, 1994 it was agreed by the parties to the settlement that formula for updating pension should be on the same lines as given in RBI scheme. ( Para 4.2)
4. Regulation No. 35 of Pension Regulations 1995 and subsequent notification issued in 2003.

## **COST FACTOR**

Presently, we do not have exact data and profile of pensioners at the industry level to calculate additional financial burden on pension funds on updation exercise. However the following data are worth noting:

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|--|------------------------|
| (a) Total Number of Pensioners                       | About 4.00 lakhs       |
| (b) Combined corpus in pension funds:                | About 2.50 lakh crores |
| (c) Annual outflow on pension liability              | About 9500 crores      |
| (d) Annual additional burden on updation- 15 percent | About 1450 crores      |
| (e) Percentage burden on corpus after updation       | About 4.18 per cent    |
| (f) Present yield on corpus                          | About 7.35 per cent.   |

Following other important facts to be noted in support of our demand of updation need to be noted

- (a) Pension scheme in existence in banks is basically guaranteed benefit pension scheme and is designed and structured on the principle of social security and welfare where updation is its integral part. Fund position is secondary.
- (b) Feature of periodical updation was envisaged and provided in the settlement of 1993 and this point was further agreed and affirmed by parties to the settlement in subsequent meetings.
- (c) Pension fund position is quite comfortable and yield on corpus is continuously greater than ratio of payment obligations year after year.
- (d) 9 years back at the time of granting second pension option to about 4 lakhs employees and retirees, pension funds could take care of the additional cost successfully. Similarly additional burden of pension under VRS in 2000/2001 was also successfully met from the corpus.
- (e) Whatever additional contribution required for updation as per the actuary reports/ AS norms can be managed through amortization method as adopted in 2010 while giving pension option to 4 lakh employees and retirees.
- (f) As per the affidavit filed by the government in court, it had stated that it would consider updation in financial sector if given in RBI.

S. C. JAIN  
GENERAL SECRETARY