ALL INDIA BANK RETIREES' FEDERATION (REGD.)
Flat No 101, Block C Shivom Residency, M. G. Road Indore- 452001
E mail id sharbatjain555@gmail.com Mobile: 8966019488

Ref No. 2026/0214 **Date: 09.09.2026**

The Secretary
Department of Financial Services
Ministry of Finance
Government of India
New Delhi

Respected Sir,

Re: Independent Actuarial Assessment for Determining the Financial Feasibility of Pension Updation in the Banking Industry

We write once again to draw your kind attention to the long-pending and legitimate demand of bank retirees for **updation of pension**, particularly on the principles and formula adopted by the Reserve Bank of India (RBI) for its pensioners.

1. Pension updation – a question of social security and equity

Pension updation is not merely a question of enhancement of pension. It is fundamentally an issue of **social security, equity and preservation of the real value of pension** for persons who rendered long years of service to the banking industry.

The banking pension scheme was introduced in 1995 with retrospective effect from 1 January 1986. Since then, **seven successive Bipartite Settlements have been reached**, and pension updation has, in one form or another, been provided in successive settlements. However, such updation has generally been confined to employees who retired under the particular settlement, leaving pensioners who had retired under earlier settlements outside its benefit.

This has resulted in a growing and wholly unjustified disparity between pensioners who retired at different points of time, even though they served in the same banking industry and are governed by the same broad pension framework. Older pensioners, merely because they retired earlier, have consequently suffered a progressive erosion in the real value and purchasing power of their pension.

The principle of periodic improvement in pension has, meanwhile, increasingly been recognised both by the Government and the RBI. Pension updation has become an accepted feature of pension administration in Government and in the RBI, and has been undertaken periodically to ensure that pension continues to serve its intended purpose of providing **social security and a dignified post-retirement life**.

It is also significant that, over the years, the Government/IBA have accepted and introduced several important improvements in the banking pension framework. These include:

- pension option to left-over employees/pensioners in 2010;
- improvement in family pension in 2021;
- extension of pension benefits to compulsorily retired employees in 2018;
- extension of pension to eligible Resignees in 2023;
- 100% DA to pensioners who retired before 2002; and
- Ex-gratia to eligible pensioners under the 12th Bipartite Settlement.

These developments demonstrate that the pension scheme has never been treated as a completely static arrangement. Rather, improvements have been introduced from time to time to preserve its **social-welfare objective and relevance to changing circumstances**.

Against this background, continued denial of pension updation to earlier retirees requires objective examination and cannot reasonably be justified merely by referring to a presumed financial burden.

2. Financial feasibility must be determined by actuarial facts and not presumed

The principal reason generally advanced by the Government/IBA for not considering pension updation is the apprehension of a **large financial burden**.

We respectfully submit that such an apprehension, by itself, cannot constitute a sound basis for rejecting the demand. To our knowledge, no comprehensive, transparent and independently verifiable assessment has been placed before the representatives of pensioners establishing the actual **net additional financial liability** that would arise from pension updation.

A distinction must necessarily be made between the **gross actuarial liability of the pension scheme** and the **incremental liability specifically attributable to pension updation**.

The banking industry pension scheme has now been in operation for several decades. During this period, substantial pension funds/corpus have accumulated and these funds have generated investment income. At the same time, the demographic profile of the pensioner population has undergone substantial change. A significant section of the legacy pensioner population is now at an advanced age and, consequently, the number of such pensioners and the related pension expenditure will progressively decline.

It is therefore essential that the financial feasibility of pension updation is determined after taking into account:

1. the existing pension corpus;
2. investment income earned on the corpus;
3. future contributions/provisions;
4. existing pension expenditure;
5. the age profile of pensioners;
6. mortality and longevity assumptions;
7. future family pension liability; and
8. The progressive reduction in the legacy pensioner population.

Only thereafter can the **actual incremental financial requirement**, if any, be determined.

It would therefore be neither appropriate nor equitable to reject pension updation merely on the basis of a broad or presumptive estimate of financial liability. What is required is a professional, independent and transparent actuarial assessment of the future net liability over 10, 20 and 30 years.

3. RBI experience provides an important benchmark

In this context, we invite particular attention to the pension-updation exercises undertaken by the Reserve Bank of India in 2019, 2023 and 2025.

The RBI experience demonstrates that pension updation can be considered and implemented in a structured manner by determining the appropriate pension base and taking into account the impact of inflation over different periods.

AIBRF has therefore consistently requested that the financial implications of applying a similar principle/formula to bank pensioners should be scientifically quantified rather than presumed.

The proposed actuarial exercise should accordingly calculate the liability arising from pension updation on the RBI formula/principle, while also examining alternative reasonable scenarios, if considered necessary.

4. Proposed scope of the independent actuarial study

We respectfully propose that the Government of India and IBA may undertake, or cause to be undertaken, a **comprehensive independent actuarial study covering all Public Sector Banks** and, wherever applicable, other participating banks covered by the relevant pension arrangements.

The study should disclose and analyse, bank-wise as well as on an aggregate basis, at least the following:

(i) Total number of pensioners;

(ii) Total number of family pensioners;

(iii) Age-wise distribution of pensioners and family pensioners;

(iv) Existing pension corpus/fund;

(v) Annual pension expenditure;

(vi) Annual income/return earned on the pension corpus;

(vii) Future contributions/provisions to the pension fund;

(viii) Present actuarial liability;

(ix) Projected actuarial liability over 10, 20 and 30 years;

(x) Mortality assumptions and the consequent projected decline in the legacy pensioner population;

(xi) projected family pension liability;

(xii) Liability arising from pension updation in accordance with the RBI formula;

(xiii) Liability under other reasonable pension-updation scenarios, wherever considered appropriate; and

(xiv) the **net additional funding requirement after taking into account the existing corpus, investment income, future contributions and the projected decline in the pensioner population**.

The study should also clearly disclose the actuarial assumptions relating to mortality, longevity, investment return, discount rate, future contributions, family pension, pension expenditure and all other relevant parameters.

Such transparency is essential because a gross liability figure, without adjustment for the resources already available in pension funds and the future decline in pension expenditure, may give a misleading picture of the actual financial requirement.

5. AIBRF ready to facilitate an independent actuarial assessment

AIBRF wishes to make a constructive proposal.

We are prepared to **undertake/facilitate an independent actuarial assessment through a qualified and professionally reputed actuary**, provided IBA makes available the requisite bank-wise data and information.

The objective of the exercise would not be to arrive at any predetermined conclusion. On the contrary, AIBRF would welcome an **objective, independent and professionally conducted assessment**, whatever its ultimate conclusion may be, which establishes the actual financial position of the pension funds and the additional liability, if any, arising from pension updation on the RBI formula.

If considered appropriate, the exercise may be undertaken in consultation with DFS and IBA, with a mutually agreed methodology and actuarial assumptions. The underlying data, assumptions and methodology may also be made available to the representatives of pensioners so that the conclusions are transparent, credible and capable of verification.

In other words, instead of continuing an inconclusive discussion about whether pension updation is financially feasible on the basis of assumptions, **let the actuarial facts determine the financial feasibility**.

6. Existing liability and incremental liability must be clearly distinguished

We further submit that the actuarial assessment should clearly distinguish between:

(a) Existing actuarial liability;

(b) Liability that would arise in the normal course without pension updation; and

(c) Incremental liability specifically attributable to pension updation.

It is the third component which is particularly relevant for determining the **actual additional financial requirement** involved in implementing pension updation.

This distinction is essential for a rational policy decision. The mere existence of a large overall pension liability cannot, by itself, establish that the additional cost of pension updation is financially unsustainable.

7. Pension updation and financial sustainability are not conflicting objectives

AIBRF fully recognises the need to maintain the financial sustainability of the pension scheme. Indeed, it is precisely because we attach importance to financial sustainability that we are seeking an **independent actuarial assessment rather than relying upon assumptions regarding the financial capacity of the banking industry**.

At the same time, pension is intended to provide social security and preserve, to a reasonable extent, the purchasing power and dignity of those who have retired after long years of service.

Pensioners who retired many years ago should not indefinitely remain on pension levels which have suffered substantial erosion in real terms solely because they happened to retire earlier.

The issue, therefore, requires a balanced approach—one which protects the legitimate interests of pensioners while ensuring the long-term financial sustainability of the pension funds.

8. Urgency in view of the forthcoming 13th Bipartite Settlement

The proposed actuarial study assumes **particular importance and urgency in view of the forthcoming negotiations for the 13th Bipartite Settlement**.

The negotiations are expected to commence shortly, and pension updation is likely to be one of the important demands of bank retirees which will need to be considered in the course of the negotiations.

It is, therefore, essential that the issue should not enter the negotiating process merely on the basis of **presumptions, broad estimates or an unsubstantiated apprehension of financial burden**.

An independent actuarial assessment undertaken before, or at the commencement of, the negotiations would provide an **objective, authentic and professionally established financial basis** for examining the issue. It would enable the Government, IBA and representatives of bank retirees to determine the actual additional liability, if any, and thereafter consider an appropriate and financially sustainable solution.

Such an exercise would also ensure that the important issue of pension updation receives **fair, objective and informed treatment during the 13th Bipartite Settlement negotiations**, rather than being rejected at the threshold on the ground of presumed financial infeasibility.

9. Our request

In view of the above, we respectfully request the Department of Financial Services and IBA to consider the following proposal:

"An independent and transparent actuarial study may be undertaken covering all Public Sector Banks to determine the actual financial feasibility and net additional liability arising from pension updation in accordance with the RBI formula, after taking into account the existing pension corpus, investment income, future contributions, mortality, family pension liability and the expected decline in the legacy pensioner population."

AIBRF is prepared to facilitate such a study through a qualified professional actuary, provided the requisite bank-wise data and information are made available by IBA.

We believe that this would provide a **fair, objective, transparent and constructive way forward**. It would enable all concerned to approach the issue on the basis of facts, actuarial evidence and financial reality rather than assumptions.

The demand for pension updation has remained unresolved for a very long period and concerns several lakh bank pensioners and family pensioners. We therefore request that the matter may kindly be considered at the highest appropriate level and that necessary steps may be initiated **without further delay and preferably before the commencement of the 13th Bipartite Settlement negotiations**.

We shall be grateful if the Department of Financial Services and IBA would kindly convey their response to this proposal and indicate the steps proposed for undertaking the independent actuarial assessment.

With Respectful Regards,

Yours Sincerely,

(S. C. JAIN)
GENERAL SECRETARY

C.C. to The Chief Executive < Indian Banks' Association (IBA), Mumbai