ALL INDIA STATE BANK OFFICERS' FEDERATION

UNION IS STRENGTH

(Registered under the Trade Unions Act 1926, Registration No: 727/MDS)

Central Office: State Bank Buildings, St. Mark's Road, Bangalore-560 001

Registered Office: 22, Rajaji Salai, Chennai- 600 001

CIRCULAR NO. 45 **DATE: 04.07.2023**

TO ALL OUR AFFILIATES

Pension Related Issues: Suggestions

We have sent a communication to the Dy. Managing Director (HR) & Corporate Development Officer, State Bank of India, on the captioned subject.

A copy is enclosed for your information and circulation.

Yours comradely,

(Deepak Kumar Sharma)
General Secretary

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Bank Bachao Desh Bachao

No. 6724/31/23 **Date: 03.07.2023**

The Deputy Managing Director (HR) &
Corporate Development Officer
State Bank of India
Madame Cama Road
Mumbai - 400 021

Respected Sir,

Pension Related Issues: Suggestions

We most humbly invite your kind attention to a few crucial points regarding the pension-related concerns of State Bank of India (SBI) retirees for making improvement in Pension Scheme. The concerns have been communicated earlier also and discussed in detail many times including CNC meetings. We understand that HR team, under your able guidance, is already working diligently to present these matters before the committee constituted by the Government of India, Ministry of Finance.

However, we would like to emphasize the following points for your consideration:

1. **Non-inclusion of SBI Pension Issues in Wage Negotiations**:

   It is important to note that SBI pension issues are not discussed during wage negotiations. Any amendment in the SBI Pension Fund Regulations has to be made after consultation with the Reserve Bank and with the previous sanction of the Central Government, by the Central Board of SBI. The ceiling on pension has been revised in SBI in the past by duly following the same procedure.

2. **Historical Background of Pension Ceiling:**

   The monetary ceiling on pension has been prevalent in the SBI Pension Scheme since the presidency days. The initial ceiling on pension for Senior Officers was fixed at Rs.750/- and Rs.1,000/-, adopting the ceilings fixed by the Bank of Bombay, which was linked to the maximum salary of the Senior Grade Officer in the Bank.

The revision of the pension ceiling for 4th and 5th BPS retirees was based on 50% of the maximum salary of the Senior Grade Officer (DMD's) at the material time. The logic behind the fixation of a 50% ceiling on pension was to ensure uniformity and avoid sub-classification among employees. However, this pattern was changed for retirees from 6th BPS onwards, leading to an anomaly that could have been rectified by the Murmu Committee.

3. <u>Illogical and Discriminatory Fixation Pattern</u>:

The decision to link the fixation of the ceiling on pension to the maximum salary of Junior Management Officer (JMGS-I) in year 2006 is arbitrary and illogical. This has created two separate classes of pensioners within the same organization, which goes against the principles of natural justice. Approximately 85% of the pensioners, including subordinate staff, clerical staff, and junior officers, are already drawing a 50% pension. However, the remaining 15% of SBI officers are deprived of this benefit, resulting in an unjust disparity.

The Murmu Committee justified the concept of a 40% pension instead of 50% after a certain pay ceiling by citing the three retiral benefits in SBI, including the employer's 10% contribution in the Provident Fund. However, this provision results in discriminatory treatment, as it provides non-contributory pension to some categories of employees and contributory pension to others. The fixation of the pension ceiling through arbitrary changes in the pattern is not permissible by law and is violative of Article 14. It leads to a sub- classification of pensioners and discriminates against the rules regulating all pensioners.

The pension ceiling should be set at 50% of the maximum salary of the Senior Grade Officer (DMD). It is worth mentioning that pensioners of all Public Sector Banks, Reserve Bank of India, NABARD, State Governments, and Central Government are already drawing a 50% pension.

4. <u>Neutralisation of Dearness Allowance (DA) on pension for those who retired before 01.05.2005</u>

The issue of neutralizing Dearness Allowance (DA) on pension for those who retired before 01.05.2005 remains unresolved, despite the introduction of 100% neutralization of Dearness Relief from 01.05.2005 onwards. This has resulted in a significant number of retirees who retired prior to the effective date being paid Dearness Relief based on the earlier tapered/slab system. As a consequence, these retirees are deprived of the necessary relief to cope with the escalating cost of inflation on essential commodities. Furthermore, this disparity in treatment of pensioners based on the date of retirement creates a division among pensioners.

It is worth noting that retirees from the period between 01.11.2002 and 30.04.2005 covered under the same settlement have also not received the revision of pension to rectify this anomaly. It is pertinent to mention that e- ABs employees were paid arrears on the difference in Dearness Relief between the points of Consumer Price Index (CPI) 1684 and 1616 for the period between 01.11.2002 and the respective dates of retirement. Therefore, it is imperative that employees who retired before 01.05.2005 should receive100% neutralization of Dearness Relief.

By ensuring the 100% neutralization of Dearness Relief for all retirees, regardless of their date of retirement, the Bank can alleviate the financial burden caused by inflation and treat all pensioners fairly and equitably.

5. **Introduction of Special Allowance:**

In the 10th BPS, a specific allowance called the "Special Allowance" was introduced to address the superannuation burden for the Management. This decision was imposed by the Indian Banks' Association due to their inability to provide sufficient cushion towards the Basic Pay, considering the substantial provision required for the Pension Fund and the industry's financial constraints. Consequently, the IBA agreed to allocate only 2% towards the load on the basic pay, while the remaining amount was granted as an Allowance. It was explicitly stated in the agreement that this allowance would attract Dearness Allowance (D.A) and would not be considered for the purpose of payment of superannuation benefits. The Special Allowance was designed as a universal allowance, provided to all officers working in the bank. It was not specific to any duty or functional role but rather extended universally across the organization.

However, a landmark judgment by the Supreme Court, while considering a batch of cases filed at various courts, clarified the treatment of allowances for the purpose of superannuation benefits. The Supreme Court's ruling established that any special allowance linked to the basic pay or forming a part of the basic pay, paid to all employees without any specific responsibility or duty attached, and paid perpetually along with the basic pay, should be considered as part of the pay. As a result, employees are entitled to receive superannuation benefits calculated inclusive of such special allowances.

Therefore, the decision of the Supreme Court holds the force of law and is applicable nationwide. Any agreement or provision that contradicts this interpretation is considered null and void, requiring appropriate action on the part of the Management to regularize the situation. It is essential for the Management to acknowledge and comply with the Supreme Court's ruling, as it sets a binding precedent and establishes the legal framework for determining superannuation benefits. By taking appropriate action to rectify any inconsistencies with the court's decision, the Management can ensure fair and just treatment for all employees in accordance with the law of the land.

6. Updation of Pension after every Wage Revision:

Currently, pension computation is based on the average monthly substantive salary drawn during the last twelve months of pensionable service. However, if the ceiling on pension is not revised after every wage revision, the resulting pension amount would be significantly lower than the eligible amount based on the revised pay scales and allowances. The employees, both Officers and Award Staff, who retired during earlier wage revision periods such as prior to 1993, 1993-1997, 1997-2002, 2002-2007, and so on, are currently receiving considerably lower pension amounts compared to their counterparts who retired during the most recent wage revision period. This situation is particularly challenging for lower cadre employees who are struggling to make ends meet due to significantly reduced pension amounts.

The Government has previously acknowledged and addressed a similar grievance raised by its employees by accepting the need to update pensions with each revision as per the recommendations of Pay Commissions. Even in the Reserve Bank of India (RBI), pension has been updated and revised to benefit all pensioners and family pensioners of pre-01.11.2017 retirees.

We believe that the same principle should be applied to State Bank employees, given that the Government plays a pivotal role in establishing the provisions under Service/Pension Rules for them. It is crucial to recognize that every pensioner is in the final phase of their life and requires a prompt resolution of their grievances, as well as a sympathetic and compassionate approach from the Government in addressing their concerns.

Similar to government employees, it is essential to update the pension with every wage revision or settlement. State Bank employees, who fall under the quasi-government category, should be entitled to this benefit as well. This measure would ensure fairness, parity, and an improved quality of life for all State Bank pensioners.

7. Commutation of Pension:

In the case of SBI, when an officer surrenders 180 months of pension (1/3rd), they receive a commutation amount equivalent to 78 months of pension (1/3rd). This implies that SBI officers pay a higher rate of discount compared to officers in other banks. Consequently, for the same amount of pension surrendered, SBI officers receive a significantly lesser amount compared to their counterparts in other banks. It is important to note that there is no financial outlay required from either the Bank or the Government in this process. The commutation amount is derived from our own pension funds, which are discounted at two different rates - one for SBI and another for other banks.

This discrepancy in the discount rates creates an inequitable situation where SBI officers are at a disadvantage compared to officers in other banks. By establishing a uniform discount rate for commutation, the Bank can ensure fairness and equality for its officers in line with industry standards and practices.

8. <u>Availability of Sufficient Funds:</u>

It is important to note that there is no cost implication to the Government of India, as sufficient funds are available in the Pension Fund (corpus) - more specifically known as the State Bank of India Pension Fund.

We believe that addressing these concerns would bring about significant improvements in the pension scheme for SBI retirees, ensuring fairness, equality, and justice for all. We trust in your wisdom and compassion to consider these points and take appropriate actions to rectify the existing disparities.

Thank you for your kind attention to this matter. We sincerely hope for your favourable response.

Yours sincerely,

Sd/-
(Deepak Kumar Sharma)
General Secretary

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