ALL INDIA BANK PENSIONERS' & RETIREES' CONFEDERATION

(A.I.B.P.A.R.C.)

C/O BANK OF INDIA OFFICERS' ASSOCIATION
(EASTERN INDIA BRANCHES)
BANK OF INDIA, KOLKATA MAIN BRANCH
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Circular no. 02-22 **Date: January 04,2022.**

For circulation among members of the Governing Council, State Secretaries, Special Invitees, Advisors, Affiliates and Members.

Dear Comrade,

Sub: A request for Fact--Check on additional provisioning for improvement of Family Pension in the Banking Industry.

We reproduce hereunder the text of our letter dated 04.01.2022 on the above subject addressed to The Chairman, IBA with copies endorsed to The Secretary, DFS, MOF, GOI and Managing Directors &CEOs of different banks. The letter is self-explanatory.

With best wishes and regards,

Comradely Yours,

Suprita Sarkar

Suprita Sarkar
General Secretary.

Encl: :As stated.

AIBPARC/IBA/FP /Email/2022 **Date: January 04,2022.**

Shri Atul Kumar Goel
Chairman,
Indian Banks' Association,
Mumbai

Respected Sir,

Sub: A CASE FOR FACT-CHECK ON ADDITIONAL PROVISIONING FORI IMPROVEMENTS IN BANKS FAMILY PENSION

We, the Bank Pensioners served the Public Sector Banks for 3-4 decades before becoming pensioners. Hence the well-being and buoyancy of banking sector is at core of our hearts. It is a

fact that any extra provision to the Pension Fund is a matter of extra happiness to us as it makes the Fund more robust and enhances it buoyancy. But we would like to earnestly enjoin upon you to carry out a fact-check on the proposed provisioning of Rs.22,000 crore collectively by all the PSBs on account of improvements in family pension at a uniform rate of 30% of last drawn pay of the deceased pensioners.

The cost of improvements in family pension has been estimated at Rs.22,000 crores by the Actuaries and not by the Banks, IBA, RBI or the Government of India, as the stake-holders. It needs a fact-check on the following counts:

a. Provision for the Payment of full Pension at the rate of 50% of last drawn pay is made during the service of the employee assuming a life expectancy of 82 years.

b. If an employee/pensioner dies before attaining the age of 82 years, which is a fact in most of the cases, the funding made for the payment of pension @ 50% of last drawn pay would result in creating a surplus of 20% even after improvements in family pension to 30% of last drawn pay. It means a NEGATIVE provisioning/funding as the existing pension fund is adequately provided to meet the pension at 50% upto the age of 82 years while the pensioner was in service.

c. The estimated requirement of Rs.22,000 crores is based on treating the improvement cost as a stand-alone transaction though it is not so and further de-linking it from the existing Pension Fund.

d. The published balance sheets of the PSBs including SBI as at 31.3.2019 would reveal an annual pension payout of Rs.15,958.50 for 412000 pensioners. The Family Pensioners being about 20-25% of the total pensioners and drawing a family pension at the rates of 15%, 20% and 30% of last drawn pay of the deceased employees, would not need such a huge sum to be provided to meet an additional annual liability of Rs.1,320 crore towards improvement in family pension to a uniform rate of 30% instead of 15, 20 and 30% if it is viewed vis-a-vis the availability of the existing corpus in Pension Fund.

e. Actuaries have simply arrived at the amount of funds required to earn Rs. 1,320 crore annually at 6 % p.a. interest. This is how the provisioning requirement of Rs.22,000 crore is born.

f. As on 31.3.2019, the Pension Funds of all the PSBs earned an interest of Rs18,022.8 crore as against the pension pay out of Rs.15,958.5 crores. It thus leaves a surplus of Rs.3,064.3 crore which is more than adequate to meet the improvement cost of Rs. 1,320 crore. Under such circumstances the proposed additional provisioning of Rs.22,000 crores defies the accounting and arithmetical logic.

g. An empirical study of the age profile of the family pensioners/pensioners in respective banks would validate the above submissions and save the banks from the proposed extra burden at this juncture.

We, therefore make an earnest request to you Sir, to cause an independent, objective and realistic study of the Pension Fund in your Bank to validate our contentions contained in the foregoing paragraphs and take up the issue with RBI and Government of India on the basis of your independent findings. We can once again reiterate that a fact-check exercise on your part would convince you that no additional provision is required to meet the cost of improvement in family pension.

It would ultimately help you avoid undue financial stress on your balance sheet at this juncture.

Sir, we intend doing the similar exercise in respect of Updation of Pension and burst the myth created by the Actuaries about the additional funding to meet the cost of Updation of Pension in our next letter.

With regards,

Yours faithfully,

K V Acharya
President

Suprita Sarkar
General Secretary

Copy To: The Secretary, DFS, MOF, GOI for kind information
The MD/CEO of All Banks