

CIRCULAR No. 19/2010

Date: 14.05.2010

TO ALL MEMBERS



Dear friends,

2ND OPTION ON PENSION - BARETRUTH

You might have come across e-mails from some vested interests intended to create confusion over the pension cost and pension settlement. In order to understand the issue in its right perspective, AIBOC has brought out the facts tracing the history of pension settlement in 1995 and the developments thereafter vide their Cir No. 64 dated 12-05-2010. We reproduce below the text of the circular for your information.

With greetings,

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D. N. Prakash'.

[D. N. PRAKASH]
PRESIDENT

2ND OPTION ON PENSION - BARERUTH

[Text of AIBOC Cir. No.64 dt. 12-05-10]

1. With our intense struggles and strikes during the 90's, the Confederation was successful in securing Pension in the Banking industry w.e.f. 01.11.1993. In fact the Confederation demanded Pension as a third retiral benefit. But some of the Unions did not support our demand and hence we had to accept pension as second retiral benefit in lieu of Contributory Provident Fund. However, service gratuity continued along with the pension. Due to the draconian clause in Pension Regulations, treating the strike as break in service and the higher interest rates prevailing on deposits in 1993-1995, many of the employees and officers did not join the Pension Scheme. However, it was made compulsory for those who joined the banking service w.e.f. 01.11.1993. Subsequently, the draconian clause of break-in-service for participating in strike was removed from the Pension Regulations on account of agitation launched by the unions. The unions wanted that in view of the removal of the restrictions, one more option on pension should be introduced. Due to the economic slow down, opening up of our economy to global forces, interest rates on deposits came down drastically. In successive bipartites thereafter; Pension Scheme was improved and it became more attractive, as compared to the Contributory Provident Fund Scheme.

2. Hence, the employees and officers, who remained in CPF scheme, intensified their demand for one more option to choose pension benefit in lieu of CPF. The Govt. of India, IBA and Bank Managements, refused to offer one more option to CPF Optees, as they wanted to avoid uncertain liabilities of pension payment. Pension being a social security measure, cannot be compared with the Contributory Provident Fund. But, pension funds of banks were not sufficient to take care of load of the existing pension optees, as against the statutory contribution at 10% of pay towards the pension fund, both by the Bank and the employees, was insufficient to meet the pension liabilities. During 2001, Banks came out with a Special Voluntary Retirement Scheme that put a lot of pressure on the pension fund to meet the consolidated liability, for which no additional provisions were made by the Banks.
3. During the Bipartites in 1997 and 2002, few of the Banks' Balance Sheets were not comfortable to bear the cost of salary revision and the pension liability. Therefore, during the VII Bipartite Settlement, unions came forward to support the pension fund of the Banks by volunteering to bear a part of the additional cost (incremental cost on pension) to be incurred on account of revised pay. The IBA offered 12.25% increase in wage load. The employees and officers shared 50% of the incremental cost of revision towards pension; which was at 8.25% of pay apart from 10% of pay in lieu of P.F; out of salary revision load. The managements also contributed 18.25% of pay towards additional cost of pension. But Banks were not in a position to assure 50% of the last drawn pay as pension and hence, for the purpose of Pension, separate scales were constructed with merger of 1616 points of D.A, whereas for the purpose of regular scales, the DA merger in the basic pay was at 1684 points with loading thereafter. This has virtually influenced IBA to accept our discussions on the issue of 2nd Option.
4. During 8th Bipartite, the anomaly as regard to inferior basic pay for the purpose of pension was rectified and both for pension and regular scale, a common scale with merger of 2288 points of DA with appropriate loading was considered. Here again, both managements of Banks and the employees, bore the additional cost on pension on account of salary revision at 9.25% of pay in addition to 10% of pay and managements at 11.25% of pay in addition to 10% of pay in the ratio of 45% and 55%, respectively.
5. The struggle for one more Option for Pension took centre stage after signing of Joint Note under 8th bipartite on 2nd June 2005. A suitable clause was inserted in the Joint Note as regards demand of the Confederation for one more Option on pension. Accordingly, alternate scheme was to be evolved to resolve the issue. The UFBU took up the issue with all seriousness with the IBA/Government for 2nd Option on Pension, along with other issues like, compassionate appointment scheme, attack on trade union rights, opposition to merger and acquisition, early salary revision etc. The UFBU observed successful strike on 25th January, 2008 and was in readiness to observe two days strike on 25th and 26th February 2008, followed by indefinite strike from the middle of March 2008. The IBA/Govt. having assessed the situation properly convinced the leadership of UFBU to defer the two days strike action on 25th and 26th February 2008, with an MoU on the 25th February 2008 that, they will "consider" the demand of 2nd Option on Pension favourably.
6. Accordingly, at wee hours of 25th February 2008, proposed two days strike was deferred and an MoU with IBA was signed on the same day, with an understanding that, according to the suggestion of the leadership of the Confederation common actuaries would be appointed to ascertain the gap in the fund to consider the demand of 2nd Option on Pension.

7. Earlier, IBA came out with Rs. 26,000/- crore gap in pension fund to consider the demand of 2nd Option on Pension, where as, UFBU assessed it through its Actuaries at Rs. 4,700/- crore. There was a huge difference in the assessments of the gap and hence, it was the leadership of the Confederation which suggested the then Chairman of IBA, Shri.M.B.N.Rao, at a meeting held on 22.02.2008 at Delhi, for common actuaries to assess the funding of gap with common parameters agreed by IBA and UFBU together. The gap was estimated by the common actuaries at Rs. 6000/- crore to consider the demand for existing CPF Optees for 2nd Option on Pension as on 31.03.2007. As committed earlier, UFBU after due negotiations agreed to contribute at 30% of the gap i.e., Rs. 1800/- crore towards the pension fund, out of the salary revision arrears and Rs.4,200/- crores are to be contributed by the Banks. Accordingly, an MOU was drawn on 27th November 2009 with IBA for 17.5% increase in salary and allowances and one more option of pension to CPF Optees. The modalities for sharing the 30% of the gap was evolved on 13th April, 2010, at 1.6 times of the revised pay of employees and officers except SBI as they are governed by a different pension scheme. The 2nd Option is also made available to all retired employees and families of employees who died during that period from 1993/1995 onwards to the date of settlement of the scheme. It was assured that out of Rs. 3,115/- crore, fund gap in respect of retirees of Rs. 935/- crores (30%) was to be contributed by the retirees by way of refund of 156% of Bank's contribution of PF received by them towards the pension fund. There was a dispute as regards date of effect of the pension to CPF Optees and modalities of contribution etc. The UFBU decided to approach the Hon'ble Finance Minister, Government of India, as UFBU demanded a pension to CPF Optees w.e.f 01.04.2008 which was rejected by the IBA, and IBA offered it from the date of signing the final settlement on pension. Due to the intervention of the Finance Minister, on 21.04.2010 at Delhi, a via media was suggested that, pension may be effective from the date of effect of MoU i.e., 27th November, 2009. But, for the purpose of contribution of 30% of the gap, they will be treated as retirees up to the date of signing of the pension agreement. The Finance Minister was also quick in cautioning the UFBU leadership to settle the issue immediately otherwise the entire understandings may create a problem.
8. As the day of signing the settlement on 27th April, 2010 was fast approaching, few pension optees knocked the door of Hon'ble High Court of Andhra Pradesh and one of the Constituents of the UFBU who was a signatory to the MoU also sent a legal opinion to the IBA, protesting against contribution by the pension optees. It was a bolt from the blue. Anxious enquiries started pouring in the Confederation Office on salary revision and pension settlement. Under the chaotic situation, UFBU decided to meet on 26th April, 2010 at Mumbai to review the position, as terms and conditions of the 2nd Option cost were almost known to the entire rank and file. **The following were the perceptions at different levels:**
9. **Pension Optees** When pension was opted in lieu of CPF during 1993/1995, why they should contribute towards the gap in the fund. In case of CPF Optees, they have option either to opt or not to opt and remain in CPF and accordingly, either to contribute or not to contribute towards pension fund gap. Whereas, for pension optees, such options are not available and it is compulsory for them to contribute towards the pension gap. In case of those, who joined the Banking Industry from 01.11.1993, there was no option for them to opt for CPF. Whatever, additional contribution made towards the pension

fund during 7th and 8th bipartite by way of incremental cost on pension, was for strengthening the Pension Fund Account of Banks to take care of future liability of payment of Pension to retirees. As they are yet to complete minimum service of 20 years to be eligible for pension, they are yet to reap the fruits of pension. The 30% of gap in fund on account of 2nd Option on Pension has to be met by the CPF Optees, as they are beneficiaries of the present settlement. Hence, why Pension Optees, should contribute towards gap of pension fund for 2nd Option?

10. **CPF Optees:**As per the understandings reached between the IBA and UFBU, according to MoU dated 27.11.2009, all employees, have to contribute Rs. 1800/- crores gap in pension fund to take care of 2nd Option to CPF Optees. It worked out to 1.6 times of revised "pay" as on 01.11.2007 which was communicated to the membership through UFBU Circular. When CPF Optees had supported the Pension fund earlier by way of sharing portion of incremental cost on pension, why the pension optees should not share the gap in pension fund now? They may have to shell down major portion of arrears of salary and allowance to secure pension benefit, etc.
11. **IBA:** They were not inclined to offer one more option to CPF Optees as Pension fund is not viable to sustain additional burden. In fact, to meet future liability of pension to existing pension optees, they are contributing more than 10% of the pay, out of the balance sheet to the pension fund. That is the reason why, they proposed differential pay scale in 7th Bipartite for the purpose of pension. Due to unions volunteering to bear additional load equally out of salary revision during 7th and 8th Bipartite, the position was improved. But, they were interested in introduction of Defined Contributory Pension Scheme in the Banking Industry for future recruits to take care of uncertainty in liability towards pension payment. The Govt. also was interested in imposing the New Pension Scheme in the Banking Industry.
12. However, due to the pressure from UFBU and also volunteering to share the additional cost to be incurred by Bank Managements towards one more option to CPF Optees, they agreed to consider the demand of UFBU. After detailed deliberations IBA agreed to contribute Rs. 4,200/- crores out of Rs. 6,000/- crores gap and remaining balance of Rs. 1,800/- crores was to be shared by the employees. Similarly, in case of retirees, 30% of gap has to be contributed by them, which works out at 156% of P.F contribution of Banks. As long as there was unanimity as regard to modalities for sharing of additional cost by the employees, IBA was comfortable. But, when one of the Constituents of UFBU, raised the basic issue of sharing of cost, and few employees approached the Hon'ble High Court of Andhra Pradesh, both Govt. and IBA became alert and over cautious, and they never wanted to be dragged in to any kind of legal hassles. The Govt. was quick enough in advising the IBA to recover the agreed share of employees towards the gap in pension fund from the CPF Optees only as the option to switch over from CPF to pension was for them only. Their attitude was either take it or leave it. It was their final offer.
13. **UFBU:** In accordance with the provisions made in the Joint Note during the 8th Bipartite for alternate scheme, UFBU was successful in ensuring existing pension scheme to be offered to CPF Optees as well. UFBU did not agree for offer of IBA of inferior pension scheme or defined contributory scheme. The IBA was also proposing to impose certain restrictions to CPF Optees joining the Pension Scheme

such as, Voluntary Retirement and commutation will not be considered for these optees etc. We did not agree for any change in the existing pension scheme to be offered to CPF Optees. The only condition considered by the UFBU was to share a portion of the gap by employees, as grass root level membership was desperate for pension scheme at any cost. Even, some of the leadership received a feed back from the membership that, the priority in 9th Bipartite is one more Option for Pension and they do not mind compromising on the lower increase in salary and allowances. The mandate given to the leadership was to secure 2nd Option on Pension at any cost. Therefore, the demand for 2nd Option was 'now or never'. The issue cannot be made as a dispute and declare strike, at this stage. To some extent Govt./IBA exploited the situation by offering a poor package for revision in salary and allowances, making New Pension Scheme compulsory for new recruits w.e.f 01.04.2010, date of effect of pension from a prospective date i.e., from the date of signing of the settlement on pension. In UFBU, the majority view was to share the additional cost on 2nd Option by all the employees equally. Accordingly, as late as on 26.04.2010, in the UFBU meeting it was decided that, sharing of the cost shall be at 1.6 times of revised pay by all employees to whom pension regulations apply.

14. When UFBU leadership met IBA representatives on 26.04.2010 evening, despite our best efforts to convince the IBA for recovery of cost equally from all employees, reportedly Govt. did not permit IBA to agree to our view and they stuck to their decision to offer the pension to CPF Optees at 2.8 times of revised "pay". We were advised, earlier, by IBA to come for signing of agreements, on pension and salary revision on 27th April, 2010 at 11:00 A.M. The IBA's offer to UFBU was final and this put all of us in a tight spot. We expressed our inability to toe the line of the IBA and accordingly, stalemate continued. At that moment IBA officials cancelled the signing ceremony proposed on 27th April, 2010 and advised their negotiating team members to cancel their travel plans to Mumbai.
15. **26th April 2010 a night never to be forgotten:** The Constituents of UFBU, after leaving IBA office at 9:30 p.m. were receiving anxious calls from the leaders and members, about the fate of the 2nd Option on Pension and future course of action. The issue being more sensitive and delicate was to be handled carefully by the UFBU. The membership was restless. They wanted settlement to take place without loss of further time. The following were the alternatives before the UFBU.
 - a) To reject the offer of the IBA and declare agitation.
 - b) To accept the offer and leave it to the judgment of CPF optees to decide.
 - c) Whether is it wise to raise the dispute on 2nd Option at the last stage after struggling for 15 years for the benefit, and to invite uncertainty?
 - d) Whether Govt. whose priority is elsewhere, will entertain the dispute and if they go back on their offer, what is the recourse?
 - e) The IBA was feeling that Rs. 6000/- crore gap in fund assessed by the common actuaries was much less as compared to the actual gap in fund due to the changed scenario on interest front and discount value. The revised gap of allowances to be assessed will be much more than Rs.6,000/- crores.
 - f) Whether pension optees will support the stand of UFBU to volunteer to contribute towards the gap in pension fund to take care of 2nd Option to CPF Optees etc.

16. On weighing the alternatives, consulting leadership at all levels, reading the pulse of the grass root level membership, we never wanted that, there should be a slip between the cup and the lip. To be on the safer side, let UFBU make available the Option to CPF Optees, may be at a higher cost, but the social security available to them cannot be measured in terms of few more thousands of rupees to be contributed by them to strengthen the pension fund. The interested members may not forgive the leadership if the option is withdrawn by the IBA/Govt. on one or the other pretext at this stage. The decision had to be taken without loss of time, as IBA/Govt. having grouse against assessment of gap in pension fund, should not find an alibi to go back on the offer.
17. Accordingly, UFBU met again on 27th April, 2010 at 10.00 a.m and after due deliberations, took a view to communicate to the IBA to go ahead with signing ceremony on the same day, on salary revision as well as on pension settlement. All the 9 constituents of UFBU signed the settlement on 9th Bipartite and Pension offer to CPF Optees with contribution of 2.8 times of revised "pay" towards the gap of pension fund. The effective date of pension to CPF Optees will be from 27th November, 2009. All those who have retired upto 27.04.2010 will be coming under the bracket of retirees and will return Bank's contribution of PF with 56% additional contribution. They will be eligible for commutation of Pension. They will not contribute 2.8 times of revised "pay" towards the gap in Pension. The CPF Optees will contribute 2.8 times of revised "Pay" as on 01.11.2007, to switch over to the Pension Scheme etc.
18. Comrades, this is the saga of sacrifices and struggles by all members of the Confederation in securing Pension in the Banking Industry, and its improvements from time to time with latest benefit of another option to CPF optees to secure their future and lead a life without depending on others, in their old age. This achievement has come during the 25th year of the Confederation. We have every reason to celebrate the occasion, which is a momentous achievement in the annals of trade union history. We are confident that our learned membership will appreciate the stand taken by the Confederation in the given circumstances. The vested interest are again trying to fish in the troubled water. We have therefore brought bare truth on 2nd Option on Pension to the notice of the membership. Our membership is seasoned and matured to support the stand of the Confederation.

1985... SILVER JUBILEE 2010...

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OUR UNITY - ZINABAD

With greetings,

Sd/= **(G.D.NADAF)**
GENERAL SECRETARY

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