

RBI Pension Scheme and Related Issues

The brief background of the case is as following:

- Reserve Bank of India Pension Regulations was introduced in the Bank in lieu of contributory Provident Fund in the year 1990 effective from January 1, 1986, basically on line of the Pension Scheme available to the Central Government staff.
- Since the employees were then demanding pension as third retirement benefit, RBI explained to the staff of the advantage of the pension scheme in line with the Central Government employees and stated in writing through Bank's circular dated March 13, 1992, that one of the positive features of the pension is regular updating of pension.
- In their circular dated March 13, 1992, the Bank specifically mentioned '*.... The general consensus is that globally pension is considered to be one of the best social security measures as compared to others, because of its certain unique features such as updatation of basic pension,.....*'. .
- The Bank's assurance on updatation of the basic pension was the **USP** of the scheme and, indeed, this was one of the most important considerations for employees to opt for pension overwhelmingly by surrendering the benefits of CPF.
- For those joining the Bank's service after November 1, 1990 the pension scheme was made compulsory.
- Pension updatation refers to updatation of basic pension pay after every wage revision. This is based on a formula used extensively world wide wherever similar schemes are available in the absence of other social security measures by the state.
- If a person had retired with a basic pay of "X" and after wage revision, a serving employee drawing a basic pay of "X" has his basic pay revised upwards to "Y", the basic pension pay of the retired employee is also suitably enhanced by using well established principles. Similar principles are used in the case of Central Government employees.

- Pension updation was a recurrent demand of the associations / unions within the Bank and the concept of pension updation has been accepted by the hon'ble courts in the country.
- **Subsequent** to the introduction of the pension scheme, the pay of the employees of the Bank have been revised on three occasions, viz., with effect from **November 1, 1992, : November 1, 1997 and November 1, 2002.**
- Accordingly, the first up-dation of pension was carried out by the Bank, with the prior approval of its Central Board of Directors, in 2002. The pension updation was introduced with effect from November 1, 2002 for pre 1997 retirees, which now stands withdrawn with effect from October 2008, after six years of its implementation.
- In view of the objection by the Ministry, the benefits of the **wage settlement of Nov 2002 {finalised in Dec 2006}** have not yet been extended to pensioners.
- Had it been extended, the benefits would have gone to all pre Nov 2002 pensioners.
- The background to the withdrawal of this benefit in RBI lies in difference of opinion during the last six years between the Central Board of Reserve Bank and the Ministry of Finance on the powers of the Central Board to introduce the scheme of pension up-dation without taking the approval of the Government of India.
- The Ministry of Finance had raised the objection on technical ground that Reserve Bank did not seek permission from the Government of India to change the definition of "**average pay at the time of retirement**", though Central Government is also having a similar definition of average pay for their pensioners that they have been changing after every pay commission.
- If the Ministry so desired, the approval could be given a post facto. It is further understood that the ministry also conveyed that this up-dation of pension by RBI might prompt retirees from other institutions to raise similar demand resulting in greater pension outgo.

- Under the direction of the Government, the Reserve Bank management withdrew the aforesaid Administration Circular No. 2 dated September 1, 2003, **vide its circular dated October 10, 2008** and reverted the basic pension to the level originally sanctioned, prospectively from the month of October 2008.
- The pension scheme of the Bank **is entirely funded by the Bank** and, unlike the pension scheme of Government employees, is not a burden on the exchequer.
- **RBI pension fund is self-sustaining.** The entire CPF of those employee who had opted for pension scheme in 1990 and again in 1995 when the option was again re-opened had to be surrendered and the bank made a contribution and the Pension Corpus was thus created.
- While pension has been made available to Central Govt. employees, Bank and Insurance employees in lieu of their PF @ 8.33%, the sacrifice is more for RBI employees, as they were entitled to 10% CPF. However, instead of making this differential to be factored in while computing pension benefits of RBI staff as and when they retire, the RBI employees were forced to accept this withdrawal decision.
- We also understand that various legal opinion the Bank had sought from the legal experts on the issue did not find any illegality in updation of basic pension by the Bank
- The 5th pay commission clearly stated that an autonomous institution like RBI can have their own pension scheme provided their fund permits.
- The 6th pay commission clearly stated that the salary structure designed by them applies to all including regulatory organisations. This paves the way open for RBI to devise a truly independent pay, perquisite and superannuation structure.
- This has altered the basic nature of the scheme **unilaterally** although the original scheme was introduced after elaborate deliberations with all recognized Associations / Unions of the employees of the Bank. **The assurances given by the Bank have been seriously compromised.**

- All present employees will be adversely affected as and when they retire.
 - Existing employees are undergoing a trauma as the basic premise of their superannuation calculations are now found to be completely missing.
 - For all future retirees, pension updation is critical since (i) we are certainly going to retire, (ii) cost of living will continuously go up, (iii) future rate of interest though unpredictable, is likely to be low, may be even lower than today, (iv) as retirees, we don't have fresh earnings. (v) salary structure is not so high as to enable existing employees to plan a suitable investment policy creating a personal old age insurance in the form of annuity payments.
 - In case of Central Government pensioners, however, pensions are upwardly revised after every pay commission and the **6th pay commission had introduced certain other welcome features also like gradual increase of basic pension with retirees' age.**
 - Some of the benefits to central government retirees after the 6th Pay Commission are briefly:
 - Maximum and minimum pension raised from **Rs. 33,075/- and Rs.2813/-** to **Rs. 52.200/- and Rs. 4060/-** respectively.
 - Full pension after 20 years of service.
 - The recent 6th pay commission have even recommended **gradual increase of basic pension with the retirees' age** even suggesting that if a pensioner reaches the age of 100, his/her basic pension will be doubled.
 - **Family pensioners will get full pension for first 10 years**
 - The altered pension scheme of the Bank is now substantially inferior to the Government scheme even excluding the recent improvements, even though the **employees of the Bank had to make larger sacrifice** to get the same.
- Compiled by Reserve Bank of India Officers Association.**
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