



Work is Worship

# STATE BANK OF INDIA OFFICERS' ASSOCIATION (LUCKNOW CIRCLE)

Registered Under Trade Union Act 1926 Registration No. 9488 (U.P.)  
(Affiliated to ALL INDIA STATE BANK OFFICERS' FEDERATION)  
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CIRCULAR NO. 07

DATE : - 12.03.2019

To All Comrades,

We reproduce hereunder the text of AISBOF Letter No.6251/22/19 dated 08.03.2019 addressed to the contents of which are self-explanatory for information of the members.

  
(PAWAN KUMAR)  
GENERAL SECRETARY

**SUPERANNUATION BENEFITS**  
**SUPREME COURT VERDICT**  
**INCLUSION OF ALLOWANCES FOR PAYMENT OF**  
**SUPERANNUATION ETC.,**

**We have sent a communication to the Dy .Managing Director & CDO, State Bank of India, on the captioned subject. A copy is enclosed for your information.**

With greetings,

Yours faithfully,

Sd/-

(RAMKUMAR SABAPATHY)

GENERAL SECRETARY

**Text AISBOF Letter No: 6547/17/19 8<sup>th</sup> March, 2019 addressed to The Dy .Managing Director and CDO, State Bank of India State Bank Bhavan, Corporate Centre, Madam Cama Road, MUMBAI.**

Dear Sir,

**SUPPERANNUATION BENEFITS**  
**SUPREME COURT VERDICT**  
**INCLUSION OF ALLOWANCES FOR PAYMENT OF**  
**SUPERANNUATION ETC.**

The Officers and Employees of State Bank of India are covered under the payment of Gratuity Act, the Employees Provident Fund, the Pension etc., from time immemorial. The payment of Pension and the Provident Fund was governed under the Pension Regulation as well as Provident Fund regulation framed by the State Bank of India. The Pension Fund as well as the Provident Fund is being managed by the Bank. The Provident Fund and Pension Fund was managed internally with the help of treasury. The Fund was getting the highest rate of interest. The employees were getting Interest on Provident fund more than the highest deposit rate payable normally at the staff rate. Hence, the Interest payable under the Provident Fund for the employees and officers was being decided by the Management. However, over a period of time during the beginning of the liberalization era, the Government's interference in regard to the decision of the bank for payment of interest on Provident Fund became a contentious issue and the Government insisted for the payment of interest as decided by the Employee

Provident Fund organization, an authority regulated by the Government of India. Thus, the issues connected with the Provident Fund came under the purview of the Employee Provident Fund Organization. We are now strictly governed by their guidelines as regards the payment of interest on Provident Fund.

**2.** The Pension was not available in the banking industry – and it was a long struggle by the employees and officers' union in ensuring get the facility of Pension to the employees working in the banking industry. Thus the Pension was introduced during 1993 in the industry by way of an agreement between the employees and officers organization and the IBA in the year 1995 and the date of implementation was fixed at 1.1.1986. At the time of the introduction of the Pension, the 6<sup>th</sup> bipartite negotiations were also under way. The IBA was insisting that the cost of the introduction of the Pension regulation has to be borne by the employees as well. To that extent, it was notionally decided that the cost of pension at the industry will be around 6.5% and thus the cost of the revision was restricted to 10.5%. Thus the total cost of the wage negotiations in the banking industry under the 6<sup>th</sup> bipartite including the cost of pension amounted to 17%. As regards the Pension cost in State Bank of India, it was not an additional one since the benefit of Pension for the employees and officers was already available under the SBI/IBI employees Pension Regulation and was adequately funded by the bank. The Federations in the State Bank of India raised certain issues before the Management on the question of the additional cost involved in the 6<sup>th</sup> bipartite agreement.

**3.** After a series of discussions and consultations between the Government, the Federations and the Management, it was decided that the Management should take up the issue of utilizing the additional cost involved in the settlement of Pension and that it should be extended to the employees in the State Bank of India as well. Thus the cost was arrived at Rs.100 crore for the purpose of compensation in lieu of the Pension cost incurred by the industry.

**4.** The Federations wanted that this money should be a part of the superannuation. However, the Government was adamant that no improvement is required under superannuation as the SBI is enjoying all the 3 benefits. Thus, the Rs.100/- crores had to be paid in the form of Special Compensatory Allowance to the employees and Officers in the bank.

**5.** The SCA was treated as one time fixation and it should not be available for any other purposes although both the Federations pleaded for its utilization towards the improvement of Pension. The amount was shared by the Officers and employees and the allowance was fixed on the basis of the Basic Pay drawn by the employees and officers. The maximum SCA payable was Rs.550/-.

**6.** The 7<sup>th</sup> Bipartite Settlement also saw an additional cost incurred by the industry towards the Pension cost out of the total cost of 12.25%. The Federations insisted that utilization of their portion of the cost incurred towards Pension corpus should be paid separately thus the second portion of SCA was introduced in the 7<sup>th</sup> bipartite settlement as well with a maximum of Rs.400/- only. The Federations signed a separate agreement for the purpose.

**7.** Again in the 9<sup>th</sup> Bipartite the question of the cost of Second Option of Pension burden came to the focus and the industry insisted for setting apart a very substantial portion towards the Pension cost out of the 17.5% wage load agreed by the UFBU. As a result, the issue came up for discussions with the IBA and a conscious decision was taken and the agreement also provided that as far as the additional cost incurred by the industry towards the Pension Fund corpus, the Federations will discuss with their management and settle the matter accordingly.

**8.** The 9<sup>th</sup> Bipartite saw a very substantial amount paid in the form of "Special Balancing Account", again fixed on the basis of basic pay at every stage and worked at certain percentage by way of an agreement both by the Management and the Federations jointly.

9. The 10<sup>th</sup> Bipartite saw the introduction of an allowance called “Special Allowance in order to overcome the superannuation burden for the Management. It was a decision forced by IBA on the grounds that they are not in a position to provide sufficient cushion towards the Basic Pay as the provision towards the Pension Fund will be very substantial and the industry is not in a position to meet this cost. Hence, they would agree to provide only 2% towards the load to the basic pay and the remaining amount would be in the form of an Allowance. The joint note was signed between the IBA and the Officers organization which prescribed the Special Allowance payable as under:

- a. Upto Scale III at 7.75% of Basic Pay + D.A
- b. Scale IV and V at 10.00 of Basic Pay + D.A
- c. Scale VI and VII at 11.00% of Basic Pay + D.A

10. The agreement also made clear that this allowance would have D.A and not available for the purpose of payment of superannuation benefits. The allowance was a universal allowance and was paid to all. It was not duty/functional allowance but was made a universal one available to all the officers working in the bank.

11. The Note has made very clear that the special allowance should not be part of the superannuation benefits.

12. The Supreme Court while considering a batch of cases filed at various courts in regard to the extension of the benefit of the Provident Fund in respect to certain allowance prevailing in the various institutions, delivered a land mark judgment for the purpose of considering the allowances for payment of Superannuation benefits.

13. The EPFO had also set up an ‘in house’ committee for looking into certain irregular practices that was prevailing in the corporate sector as well as various institutions to deny the full benefit of the superannuation to their employees in the wage/salary settlement with the tacit approval of the unions in certain establishment, in the guise of allowing the employees to get higher take home pay.

14. The ‘in house’ committee had noticed that the employers were in the habit of splitting the basic pay into various components of allowances in order to reduce their burden towards the superannuation benefits of their employees. The ‘in house’ committee wanted to intervene in these matters and see that the members are benefited by taking the special allowances for the purpose of PF computation. With the judgment of the supreme court the EPFO, is expected to take stringent actions against those employers for payment of legitimate dues of superannuation of the employees in the respective institutions. The Supreme court while dealing with the various types of allowances had made it clear that any special allowance which is related to the basic pay or part of the basic pay and paid to every employer not linking it any special responsibility/duty and paid perpetual along with the basic pay is part of the pay and hence the employees are entitled to get the benefit of superannuation computed including such special allowances.

15. Thus, the decision of the Supreme Court is law and is now the law of the land. The agreement contrary to these interpretation/ratio is null and void and needs to be regularized through appropriate action on the part of the Management.

16. In view of the Supreme Court Order, we request you to reckon all the allowances for the purpose of Superannuation namely SCA, SBA and ‘Special Allowance’ (10<sup>th</sup> Bipartite) and take necessary steps in this direction. Further, the pension for the retirees may be refixed and arrears be paid on account of Provident Fund. In case further inputs are required you may fix up an exclusive meeting on the subject to enable us to further substantiate our case with all the materials available at our end.

Please treat the matter as urgent.

Sd/-

**(RAMKUMAR SABAPATHY)**  
**GENERAL SECRETARY**