

SUPERANNUATION BENEFITS

AGE OF RETIREMENT

In reiteration of Chapter XVIII of the First Bipartite Settlement dated 19th October 1966 and similar provisions in the Settlements of other member Banks who are parties to this Settlement, it is stated as under:

(i) FOR BANKS OTHER THAN STATE BANK OF INDIA: "After a workman has reached the age of 57 years, he may be retired after giving him two months' notice in writing in case his efficiency is found by the employer to have been impaired. Subject to this rule and also subject to any rule under existing pension fund, a workman shall not be compelled to retire before he is 60 years old nor will it be necessary to give a workman a letter extending his services till he is sixty years old."

(ii) FOR STATE BANK OF INDIA: "A workman shall normally retire on reaching the age of 58 years. The Bank will, however, grant to workman who continues to be physically fit and efficient an extension of service up to 60 years of age, but service beyond 58 years of age will not be counterered for any purpose with or in relation to pension."

(Para XIII of BPS dated 17.09.1984)

Parties agree that for the purpose of retirement as envisaged in the said provisions, the retirement shall take effect on the last date of the month in which he completes such age.

(Para 3 of BPS dated 08.09.1983)

RETIREMENT-LEAVE ENCASHMENT

Parties agree that workman would be entitled to encash accumulated leave to his credit at the time of retirement.

(Para 15 (i) of BPS dated 31.10.1979)

Parties further agree that if a workman dies in service, his heirs will be paid salary for the leave accrued to him at the time of death.

(Para 15 (ii) of BPS dated 31.10.1979)

It is clarified that with effect from 1st January, 1990, in terms of clause 15 of the Settlement dated 31st October, 1979, a workman at the time of his retirement; or his heirs, in the event of his death would be entitled to encashment of the accumulated privilege leave up to the maximum of 240 days.

(Para 9 of BPS dated 29.06.1990)

PROVIDENT FUND

Employees who opt for pension scheme shall only contribute to the provident fund at the rate of 10% of basic pay only with effect from 1st November, 1993 with no contribution by the employer.

(Para 10 of BPS dated 29-10-1993)

(1) The provident fund should obtain recognition under the Indian Income Tax Act, 1922 and for this purpose the rules under the provident fund should not be contrary to any rules laid down under the Indian Income-Tax Act. When a Bank for reasons of its own does not choose to get the Provident Fund recognised under the provisions of the Indian Income-Tax Act the burden of the Income Tax to the extent to which the employees would not have to bear if the fund were a recognised fund must be borne by the banks and not passed on to the employees.

(2) All whole-time employees of the Bank other than personal or domestic servants, if any, should be allowed the benefit of the fund as and from the date of confirmation in service.

(3) There should be no minimum amount of salary or remuneration fixed for any employee to become eligible to join the provident fund.

(4) Every eligible employee shall be required to subscribe to the fund in accordance with the rules.

(5) The rules should provide for every subscriber to the fund nominating a person or persons either belonging to the subscriber's family or dependant on him to receive the amount that may stand to the credit of his fund in the event of his death occurring before the amount has become payable.

(6) Each subscriber shall be given a pass book in which shall be entered the amounts to his credit, made up of his contribution and the Bank's contribution and the interest earned on the total money in his account. The advances taken, if any, and the repayments made should also be entered therein. The subscription due from each subscriber shall be realised by monthly deductions from his emoluments.

(7) Every subscriber shall subscribe monthly to the fund when on duty. The payment of subscription during leave shall be optional. Pay means basic pay, special allowance and officiating allowance, if any.

(8) The Bank shall make a monthly contribution to the account of each subscriber equal to the amount subscribed by the workman and such contribution shall be credited to the fund not later than fifteen days after the subscription is deducted from his emoluments.

(9) The fund shall be administered by a Board of Trustees on which the workmen also should have representation to the extent of 1/4th of the total strength of the Board.

(10) Moneys of the fund not immediately required for purpose of the fund and held in a Bank account shall be invested by the Board in any securities for the time being authorised under the Indian Income-Tax Act, 1922 and the Trusts Act 1882 and the rules made thereunder in respect of the investments of moneys of the provident fund recognised under the Indian Income Tax Act, 1922. Compound interest with half yearly rests will be allowed. Interest earned on the moneys of the fund shall be credited to the account of the individual

subscriber. The Banks however shall have the liberty to contribute other amounts at their discretion.

(11) Withdrawals by workmen and repayments by them shall be governed by the rules relating to such matters framed under the Indian Income-Tax Act, 1922, as conditions for recognition of Provident Funds under Section 58(c) of the Act.

(12) If a subscriber dies or for other reasons ceases to be a subscriber, the amount standing to his credit in the Fund including interest upto date shall become payable to him or his nominee, subject to any withdrawal made under rule 11.

(13) No claim shall be entertainable against the Fund if made more than three years after the date on which the amount due became payable.

(14) Any amount due from the fund shall cease to bear interest after three months from the date on which the amount became payable.

(15) Payments under rule 12 to the employee or his nominees in the event of his death, shall be made within one month of the date on which they fall due. In the case of death of an employee who has no subsisting nomination it shall be competent for the Board to pay the amount due to the natural heir or heirs of the deceased employee provided the Board is satisfied as to the heirship of the claimant or claimants.

(16) (i) Subject to the provisions of sub-rule (ii) no deduction shall be made from the amount standing to the credit of a subscriber when final payment is made to him or his nominees except as otherwise provided for in this scheme.

(ii) a) A subscriber who has put in ten years of service and over shall be paid the full amount of the Bank's contribution with interest.

b) Those who have served five years and more but less than ten years shall be entitled to the bank's contribution at the rate of ten per cent of such contribution with interest for each completed year of service.

(Para 368 of Sastry Award)

The banks are directed to have an appropriate scheme on the above lines with liberty to add such other provisions as are necessary and not repugnant to the provisions laid down by us.

(Para 369 of Sastry Award)

The Labour Appellate Tribunal has referred to "Certain undesirable features" in connection with the provisions contained in the Sastry Award laying down that those who had served the bank for less than five years would not be entitled to any portion of the bank's contribution or interest thereon. Where an employee dies before the completion of the period of five years or where he is retrenched by the employer within the aforesaid period, or where his services are terminated on account of illness or physical disability or for reasons beyond his control, it is but fair that he or his heirs or legal representatives or nominees should receive the full amount standing to his credit in the provident fund including the employer's contribution therein with interest thereon, and I direct accordingly. Except to the extent indicated above, provision relating to five years' service is not required to be altered.

(Para 7.32b of Desai Award)

I direct that the banks will supply to each workman either a pass book or an annual statement of account in connection with the workman's provident fund account.

(Para 7.38 of Desai Award)

It is fair that every employee who is subscribing to a provident fund should be supplied with a copy of Provident Fund Rules by the bank concerned, and I direct accordingly.

(Para 7.39 of Desai Award)

Parties agree that permanent part-time employees who are required by the Bank to work for more than 6 hours a week will be eligible for Provident Fund. Provident Fund Provisions will come into effect from 01-09-1978.

(Para 14 (i) of BPS dated 31.10.1979)

In supersession of Clause 15 of the Bipartite Settlement dated 27th March, 2000, w.e.f. 1st November, 2002 the rate of Provident Fund shall be at 10% of pay.

(Para 15 of BPS dated 02.06.2005)

GRATUITY

The period of probation should be added to the years of permanent service for purpose of grant of gratuity or pension though Provident Fund contribution on both sides will commence only from the date of confirmation. There shall be no forfeiture of any amount due to a workman under this scheme excepting in such cases where he is dismissed for misconduct causing financial loss to the employer, and in such cases, limited only to the extent of such financial loss.

(Para 504 of Sastry Award)

Gratuity shall become payable (i) on the death of an employee whilst in service of the bank, the amount of gratuity being payable to the heirs, executors, administrators or assigns of the employee or, in case he has executed a nomination paper in the form prescribed by the bank to the nominee of the employee; (ii) on an employee becoming physically or mentally incapable of further service or on termination of his service by the employer; (iii) on voluntary retirement or resignation, after ten years' continuous service.

(Para 8.31 of Desai Award)

In connection with an employee serving in 'A' Class bank the amount of gratuity shall be equal to one month's pay for each completed year of service subject to a maximum of fifteen months' pay. In connection with an employee serving in a 'B' Class bank, the amount of gratuity shall be equal to one month's pay for each completed year of service

subject to a maximum of 12 months' pay where however a workman employee in any of the aforesaid banks has put in the service of over thirty years, an extra amount by way of additional gratuity will become payable at the rate of additional half month's pay for each completed year of service beyond thirty years. To that extent the maximum provided under the aforesaid clauses will stand increased.

(Para 8.32 of Desai Award)

The length of service shall be calculated as the total period from the day of initial appointment (whether permanent, temporary or on probation) in the bank to the day of cessation of the bank's service. In cases where employees formerly employed in areas now forming part of Pakistan have been re-employed in India after 15th August 1947, even though there might be a break in their service the aggregate of the period of service in both areas should be taken as the total period of service.

(Para 8.33 of Desai Award)

Gratuity should be paid to a workman even if he enters the service of another bank, notwithstanding any condition to the contrary in any scheme.

(Para 8.36 of Sastry Award)

The banks will be at liberty to pay gratuity in excess of what is herein provided.

(Para 8.37 of Desai Award)

Income-Tax and Super-Tax, if any, payable on the amount of gratuity will not be borne by the bank.

(Para 8.38 of Desai Award)

Where there is a pension scheme in existence the workmen will have to choose between the scheme of gratuity under this award and the bank's pension scheme unless any bank desires to give the benefit of both to the workmen. It is not the intention of this Tribunal to replace a more favourable pension scheme wherever it exists by the scheme

of gratuity under this award or provide compulsory gratuity in addition to pension as a third retiring benefit.

(Para 8.39 of Sastry Award)

The Bombay Exchange Banks' Association has submitted that I should not give any directions as regards the Exchange Banks regarding pension and gratuity "save that at the time of retirement an employee shall have the right to opt for the bank's pension or retiring allowance scheme or the award prescribed gratuity" I direct that so far as Exchange Banks are concerned a employee will have the right to opt for banks pension or retiring allowance scheme or the gratuity prescribed under this award at the time of cessation of his employment with the bank. As regards banks other than the Exchange Banks which have pension or retiring allowance scheme, an employee will have a right to exercise the option in accordance with such rules as may be provided by the bank concerned and in the absence of any rules at the time of cessation of employment. In the case of the death of an employee the option will be liable to be exercised by his legal representative.

(Para 8.40 of Desai Award)

The provisions of the Desai Award on Gratuity shall continue except that in supersession of paragraphs 8.34 and 8.35 thereof, pay for the purpose of calculating the gratuity shall be the average of the basic pay (100%) and special allowance and officiating allowance payable during the 12 months next preceding death, disability, retirement, resignation or termination of services, as the case may be.

(Para 12.1 of BPS dated 19.10.1966)

There will be no forfeiture of gratuity for dismissal on account of misconduct except in cases where such misconduct causes financial loss to the bank and in that case to that extent only.

(Para 12.2 of BPS dated 19.10.1966)

Parties agree that permanent part-time employees who are required by the bank to work for more than 6 hours a week will be eligible for Gratuity.

(Para 14 (i) of BPS dated 31-10-1979)

The existing Gratuity Schemes of the banks shall be modified to the extent that service rendered beyond the completed years of service shall also be reckoned for gratuity purposes if it is 6 months and more but less than 1 year.

(Para 20 of BPS dated 10.04.1989)

GRATUITY AS PER GRATUITY ACT: 1972

PAYABLE ON Retirement on superannuation, Resignation after 5 years service, Death, Disablement

AMOUNT: 15 Days' wages x Number of years of service
(w.e.f. 24-05-1994) Maximum Rs. 3,50,000/-

NOTE: Wages=Basic Pay + DA + Spl. Pay + PQP + Officiating Pay + FPP

1 day Wage = Monthly Wage Divide by 26

FORFEITURE: Gratuity can be forfeited for termination of service due to riotous or disorderly conduct, violence or moral turpitude

In terms of Section 4(5) of the Gratuity Act, an employee has the right to receive Gratuity either under the Act or under any Award/Settlement/Rules whichever is more beneficial.

(Refer IBA Cir - PD/CIR/76/G3/162/3-5-2000
PD/CIR/76/G(iii)/563 dt. 4-08-1998 & IBA Cir.
PD/Cir/76/g(iii)/1471 dt. 28-11-1996)

Clause 20 of the Fifth Bipartite Settlement does not affect the condition in regard to the minimum service required for payment of gratuity. In other words, the minimum service required for eligibility for gratuity would be 10 years and not 9 years and six months or more but less than 10 years.

(IBA CIR No: PD/CIR/76/90 dated 16-08-1989)

In terms of Section 4(2) of the Payment of Gratuity Act, 1972, the employer shall pay Gratuity to an employee at the rate of fifteen days' wages for every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned. Section 2(s) of the above Act defines wages as under: "Wages" means all emoluments which are earned by an employee while on duty or on leave in accordance with the terms and conditions of his employment and which are paid or are payable to him in cash and includes dearness allowance, but does not include any bonus, commission, house rent allowance, overtime wages and any other allowance. The High Court had observed that the Bipartite Settlement provisions to treat special allowance as "Pay" cannot override the provisions of law viz., Payment of Gratuity Act, 1972. In view of the above decision of the Court, Banks may note to exclude special allowance while computing "wages" for the purpose of calculating gratuity under the Payment of Gratuity Act. However, special allowance is to be reckoned while computing wages for calculation of gratuity in terms of Awards/Bipartite Settlements.

(IBA CIR No. PD/CIR/76/G (iii)/1471 dated 28-11-1996)

The Payment of Gratuity Act, 1972 has been since amended by an Act of Parliament which received the Presidential assent on 22nd June, 1998. In terms of this amendment, the ceiling on the amount of gratuity payable under Section 4 of The Payment of Gratuity Act, 1972 has been raised from "Rs. one lakh" to "Rs. three lakhs and fifty thousand" w.e.f. 24th September, 1997. This amendments Act repeals the earlier ordinances dated 24-09-1997 and 25-12-1997.

(IBA CIR No. PD/CIR/76/G (iii)/563 dated 04-08-1998)

Please refer to our circular letter No. PD/CIR/76/G(iii)/1471 dated 28th November, 1996 on the captioned subject (copy reproduced overleaf for ready reference). Banks were then advised that in view of a decision of the Patna High Court upheld by the Supreme Court of India they may not reckon special allowance/s while computing 'wages' for the purpose of calculating gratuity under The Payment of Gratuity Act, 1972. Allowances hitherto termed as Special Allowance,

Graduation Allowance, Professional Qualification Allowance and Officiating Allowance which are in the nature of 'Pay' attracting dearness allowance and ranking for superannuation benefits shall henceforth be, in view of clause 6(i) of the Bipartite Settlement dated 27th March, 2000, termed as Special Pay, Graduation Pay, Professional Qualification Pay and Officiating Pay respectively. Also, in view of clause 13 of the said Settlement, the Fixed Personal Allowance shall be henceforth termed as Fixed Personal Pay. While the Special Pay, Graduation Pay and Professional Qualification Pay have been revised w.e.f. 1st April, 1998 the Fixed Personal Pay has been revised w.e.f. 1st November, 1999. As the officiating pay is linked to basic pay, the same has to be paid on the revised basic pay with effect from 1st November, 1997. Keeping in view the above and the definition of 'pay' as in clause 6(ii) of the Settlement, we are to advise that banks may hereinafter reckon Special Pay, Graduation Pay, Professional Qualification Pay, Officiating Pay and increment component of Fixed Personal Pay for computation of wages for the purpose of calculating gratuity payable under The Payment of Gratuity Act, 1972 keeping in view the effective dates of revision of the said components of wages. In this connection, we wish to clarify that there is no charge in the procedure for computing gratuity in terms of Awards/Bipartite Settlements.

(IBA CIR No. PD/CIR/76/G3/162 dated 03-05-2000)

COMPUTATION OF WAGES FOR THE PURPOSE OF GRATUITY UNDER THE PAYMENT OF GRATUITY ACT, 1972: Please refer to our circular letter No. PD/CIR/76/G3/162 dated 3rd May, 2000. In terms of Clause 35(a) of the Bipartite Settlement dated 27th March, 2000 gratuity computed on the revised scales of pay and allowances is payable with effect from 01-11-1999. We have been receiving queries from member banks regarding the effective dates from which the various components of wages as revised by the Seventh Bipartite Settlement is to be reckoned for computation of gratuity as per The Payment of Gratuity Act/Awards and Bipartite Settlements. We have to advise that as per the procedure in vogue, Gratuity is computed both as per The Payment of Gratuity act, 1972 and as per the Awards/Bipartite Settlement and the workmen employee concerned

is paid whichever of the two is more beneficial. Accordingly, while computing gratuity as per the Payment of Gratuity Act in respect of employee who have retired after 01-11-1997, revised basic pay, officiating pay and Dearness Allowance shall be reckoned from 01-11-1997, revised special pay, graduation pay and professional qualification pay shall be reckoned from 01-04-1998, and revised increment component of Fixed Personal Pay shall be reckoned from 01-11-1999. However, while computing gratuity as per Awards/Settlement in respect of employees who have retired on or after 01-11-1997 but before 01-11-1999 basic pay, special pay, officiating allowance, graduation allowance, professional qualification allowance and increment components of fixed personal allowance drawn as per Bipartite Settlement dated 14-02-1995 and the Supplementary Settlement dated 14-12-1996 shall be reckoned for computation of gratuity. Higher of the amounts computed as above is then payable to the retiree as gratuity. Further, in respect of employees who retire after 01-11-1999 gratuity admissible under the act and Bipartite Settlement shall be computed on the basis of the pay and allowance drawn as per Bipartite Settlement dated 27th March, 2000.

(IBA CIR No. PD/CIR/76/G3/773 dated 02-08-2000)

PENSION

In relation to an employee who retires or dies while in service on or after the 1st day of April, 1998 'Pay' for the purpose of Pension shall be the aggregate of the pay drawn by the member of the award staff in terms of the Sixth Bipartite Settlement dated 14th February, 1995 and the dearness allowance thereon calculated upto index number 1616 points in the All India Average Consumer Price Index for Industrial Workers in the series 1960=100. This shall be subject to the necessary amendments to be made to the relevant provisions of Bank (Employees') Pension Regulations, 1995.

Note :

- (i) *The increment component of FPA as given in column 2 of Schedule IV shall rank for superannuation benefits.*
- (ii) *For workmen who were in service in Area - I as on 31st December 1969, and entitled to receive CCA, only that amount of CCA, which would have been payable to him as per the terms and conditions as applicable then, shall rank for Provident Fund to the extent of 50% subject to a maximum of Rs.30/- p.m.*

(Para 16 of BPS dated 27.03.2000)16/02-06-2005

In respect of an employee other than the employee in State Bank of India, who is a member of the Pension Fund, who retires or dies while in service or otherwise ceases to be in employment on or after the 1st May, 2005, 'Pay' for the purpose of pension shall be the pay as in clause 6 of this settlement. This shall be subject to the necessary amendments to be made to the relevant provisions of Bank (Employees') Pension Regulations, 1995. Note: The Bank (Employees') Pension Regulations, 1995 does not apply to the employees of State Bank of India.

(Para 16 of BPS dated 02.06.2005)

'Pay' for the purpose of D.A., HRA and superannuation benefits shall mean Basic Pay, Stagnation Increments, Special Pay, Graduation Pay, Professional Qualification Pay and Officiating Pay, if any. Note: The increment component of Fixed Personal Pay as given in column 2 of Schedule IV shall rank for superannuation benefits.

(Para 6 of BPS dated 02.06.2005)