

**TWENTY - NINTH REPORT**

**COMMITTEE ON PETITIONS**

**(SIXTEENTH LOK SABHA)**

**MINISTRY OF FINANCE**

**(DEPARTMENT OF FINANCIAL SERVICES)**

**(Presented to Lok Sabha on 16 March, 2017)**



**LOK SABHA SECRETARIAT  
NEW DELHI**

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**COMPOSITION OF THE COMMITTEE ON PETITIONS  
(2016-2017)**

Shri Bhagat Singh Koshyari - *Chairperson*

**MEMBERS**

2. Shri Suresh C. Angadi
3. Shri Om Birla
4. Shri Jitendra Chaudhury
5. Shri Ram Tahal Choudhary
6. Shri Chandra Prakash Joshi
7. Dr. K. Gopal
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9. Shri Chhedi Paswan
10. Shri Kamlesh Paswan
11. Shri Arjun Charan Sethi
12. Shri Dinesh Trivedi
13. Shri Rajan Vichare
14. Shri Dharmendra Yadav
15. Vacant

**SECRETARIAT**

- |                            |   |                     |
|----------------------------|---|---------------------|
| 1. Shri Shiv Kumar         | - | Joint Secretary     |
| 2. Shri Raju Srivastava    | - | Additional Director |
| 3. Shri Anand Kumar Hansda | - | Executive Assistant |

(iii)

# **TWENTY - NINTH REPORT OF THE COMMITTEE ON PETITIONS**

**(SIXTEENTH LOK SABHA)**

## **INTRODUCTION**

I, the Chairperson, Committee on Petitions, having been authorised by the Committee to present the Report on their behalf, present this Twenty Ninth Report (Sixteenth Lok Sabha) of the Committee to the House on the representation received from Shri C. L. Kapoor, Secretary, Imperial Bank of India Pensioners' Association regarding submergence of Imperial Bank of India (IBI) Pension Scheme into SBI Pension Scheme and alleged misappropriation of IBI Pension Fund by the State Bank of India.

2. The Committee considered and adopted the draft Twenty Ninth Report at their sitting held on 14 March, 2017.
3. The observations/recommendations of the Committee on the above matters have been included in the Report.

**NEW DELHI;**

**14 March, 2017**

**23 Phalguna, 1938 (Saka)**

**BHAGAT SINGH KOSHYARI**  
*Chairperson,*  
*Committee on Petitions*

(v)

## REPORT

### **REPRESENTATION RECEIVED FROM SHRI C.L. KAPOOR, SECRETARY, IMPERIAL BANK OF INDIA PENSIONERS' ASSOCIATION REGARDING SUBMERGENCE OF IMPERIAL BANK OF INDIA (IBI) PENSION SCHEME INTO SBI PENSION SCHEME AND ALLEGED MISAPPROPRIATION OF IBI PENSION FUND BY THE STATE BANK OF INDIA.**

Shri C.L. Kapoor, Secretary, Imperial Bank of India Pensioners' Association submitted a Representation regarding submergence of IBI Pension Scheme in the SBI Pension Scheme and alleged misappropriation of IBI Pension Fund by the State Bank of India (Annexure-I).

2. The representationist, in his Representation, *inter alia* stated that the State Bank of India (SBI) has disbanded the Imperial Bank of India (IBI) Pension Scheme and appropriated the Pension Fund by changing their accounting system in the year 1997 *w.e.f.*, 01.11.1993. The representationist further stated that the employer sponsored viable IBI Pension Scheme was entrusted to SBI to operate under Section 7 of the State Bank of India Act, 1955 and such an action by the SBI leads to the disobedience to the aforementioned Act. The representationist, on behalf of the aggrieved IBI pensioners, therefore, requested the Committee to ask the Government for taking necessary action for providing justice to them.

3. The Committee on Petitions took up the Representation under Direction 95 of the Directions by the Speaker, Lok Sabha. Accordingly, the Representation was forwarded to the Ministry of Finance (Department of Financial Services) for furnishing their comments on the issues raised in the representation. In response thereto and with a view to giving a brief background on the Imperial Bank of India (IBI) and the processes/statutes earlier formulated by the Government for giving the control of IBI to the State Bank of India, the Ministry of Finance (Department of Financial Services) furnished the following comments:-

*"The three Presidency Banks, viz., the Bank of Bengal (established in 1806), the Bank of Madras (established in 1843) and the Bank of Bombay (established in 1840) were amalgamated into the Imperial Bank of India (the IBI) in 1921. The Pension Scheme (with same formula of calculation/payment) continued for the officers and*

employees of the IBI, who were the members of the Imperial Bank of India Employees Pension and Guarantee Fund.

On the recommendation of the All India Rural Credit Survey Committee for creation of a state partnered and state-sponsored bank by taking over the Imperial Bank of India, and integrating with it, the former state-owned or state-associate banks, an act was passed in the Parliament in May, 1955 and the State Bank of India was constituted on 1 July, 1955.

The State Bank of India Act, 1955 was enacted to constitute a State Bank of India, to transfer to it the undertaking of the Imperial Bank of India and to provide for other matters connected therewith or incidental thereto.

### **THE STATE BANK OF INDIA ACT, 1955 (Act No. 23 OF 1955)**

#### **Chapter-II: INCORPORATION AND SHARE CAPITAL OF STATE BANK**

3. *Establishment of the State Bank.- (1) A Bank to be called the State Bank of India shall be constituted to carry on the business of banking and other business in accordance with the provisions of this Act and for the purpose of taking over the undertaking of the Imperial Bank.*

#### **Chapter-III: TRANSFER OF UNDERTAKING OF THE IMPERIAL BANK TO STATE BANK**

6. *Transfer of assets and liabilities of the Imperial Bank to the State Bank. –*
  - (1) *Subject to the other provisions contained in this Act, on the appointed day:-*
    - (a) *all share in the capital of the Imperial Bank shall be transferred to, and shall vest in the Reserve Bank, free of all trusts, liabilities and encumbrances, and*
    - (b) *the undertaking of the Imperial Bank shall be transferred to, and shall vest in the State Bank.*

(2) *The undertaking of the Imperial Bank shall be deemed to include all rights, powers, authorities and privileges, and all property, movable and immovable, including cash balances, reserve funds, investments and all other interests and rights in, or arising out of, such property as may be in the possession of the Bank immediately before the appointed day, and all books, accounts and documents relating thereto, and shall also be deemed to include all debts, liabilities and obligations of whatever kind then existing of that Bank.*

7. *Transfer of service of existing officers and employees of the Imperial Bank to the State Bank*

(1) *Every officer or other employee of the Imperial Bank (excepting the managing director, the deputy managing director and other directors) in the employment of the Imperial Bank immediately before the appointed day shall, on and from the appointed day, become an officer or other employee, as the case may be, of the State Bank, and shall hold his office or service therein by the same tenure, at the same remuneration, and upon the same terms and conditions and with the same rights and privileges as to pension, gratuity and other matters as he would have held the same on the appointed day if the undertaking of the Imperial Bank had not vested in the State Bank, and shall continue to do so unless and until his employment in the State Bank is terminated or until his remuneration, terms or conditions are duly altered by the State Bank.*

(2) *Any person who, on the appointed day, is entitled to or is in receipt of, a pension or other superannuation or compassionate allowance or benefit from the Imperial bank or any provident, pension or other fund or any authority administering such fund shall be entitled to be paid by, and to receive from, the State Bank or any provident, pension or other fund or any authority administering such fund the same pension, allowance or benefit so long as he observes the conditions on which the pension, allowance or benefit was granted, and if any question arises whether he has so observed such conditions, the question shall*



*be determined by the Central Government and the decision of the Central Government thereon shall be final.*

- (3) *Notwithstanding anything contained in sub-section (1) or sub-section (2), no appointment made or promotion, increment in salary, pension, allowance or any other benefit granted to any person after the 19th day of December, 1954, and before the appointed day which would not ordinarily have been made or granted or which would not ordinarily have been admissible under the rules or authorizations of the Imperial Bank or of any provident, pension or other fund in force prior to the 19th day of December, 1954 shall have effect or be payable or claimable from the State Bank or from any provident, pension or other fund or from any authority administering the fund, unless the Central Government has, by general or special order, confirmed the appointment, promotion or increment or has directed the continued grant of the pension, allowance or other benefit as the case may be."*

4. The Committee desired to know the total number of employees along with pensioners on the rolls of the IBI at the time of taking its control by the State Bank of India. The Ministry of Finance (Department of Financial Services) submitted that no such details are readily available with the State Bank of India. However, as on 30 June, 2016, the total number of pensioners under the IBI Pension Scheme who were still in receipt of pension from the SBI was 3991 in which the number of individual pensioners was 1287, whereas, the number of family pensioners are 2704 .

5. The Committee, thereafter, categorically desired to know the salient features with respect to the submergence of IBI Pension Scheme in the SBI Pension Scheme. The Ministry of Finance (Department of Financial Services), in a written note, submitted:-

*"The Employees, who joined the IBI before the formation of SBI on 1 July, 1955, on retirement were treated as IBI pensioners and those who joined on or after 1 July, 1955 were treated as SBI pensioners on retirement. IBI Pension scheme and SBI Pension Scheme are run by separate Rules named "Imperial Bank of India Employees' Pension and Guarantee Rules and Regulations" and "SBI Employees Pension Fund Regulations" respectively.*

6. The Committee, thereafter, categorically desired to know as to whether any changes were brought in the Pension Plan of the IBI employees after its submergence with the State Bank of India, the Ministry of Finance (Department of Financial Services) informed that no changes were brought after the submergence of the IBI with the State Bank of India and the employees of IBI continue to be governed under the Pension Plan of the erstwhile IBI.

7. On being further enquired by the Committee about the present mechanism for regulating IBI Pension Fund/SBI Pension Fund, the Ministry of Finance (Department of Financial Services) submitted:-

*"IBI Pension Fund and SBI Pension Fund are regulated as per the respective Trust Fund Rules and all the Directors of Central Board of SBI are members in the Board of Trustees of both the Funds. Both the Funds are audited at half-yearly intervals by Trust appointed auditors and statement of accounts is placed before the Board of Trustees as per the respective provisions in the Fund Rules."*

8. The Committee further desired to know as to whether the quantum of pension receivable by the erstwhile IBI employees (*retired prior to submergence and retired after the submergence*) as well as the retired SBI employees is the same, the Ministry of Finance (Department of Financial Services) submitted:-

*"In the IBI and the SBI, basic pension gets frozen on the date of retirement and subsequently, computation of basic pension was/is done on same formula for both the pensioners where the date of retirement is same."*

9. The Committee, then, specifically desired to know about the relevant judgments/orders delivered by various Courts and also the extent of implementation of such judgments/orders, wherein, the SBI has been made as a respondent by the IBI employees/pensioners of the erstwhile IBI. In response, the Ministry of Finance (Department of Financial Services) submitted:-

*"The judgment of the Supreme Court of India in the Civil Writ Petition No. 305 of 1987, Imperial Bank of India Pensioners' Association by its Secretary, C.L.Kapoor & Ors. vs. the State Bank of India, has been implemented in the SBI with the effect of*

enhancement of pension ceiling to Rs. 2400/- w.e.f., 01.01.1986. Further, as on date, the following three cases are pending in the High Court of Delhi:-

<b>Case No.</b>	<b>Petitioner</b>	<b>Respondent</b>	<b>Issue</b>
3528 of 1991	IBI Pensioners' Association	State Bank of India	Petitioners have filed the case to secure DA as per Government formula from 01.09.1978 to 01.07.1983 and also between 01.01.1986 and 31.10.1987 and to pay DA to the pensioners at the rates admissible to the serving employees.
1931 of 2002	Premwati Bagga and Others	Union of India, SBI and others	Petitioner is the wife of employee of erstwhile IBI. The petition is filed for equality for grant of pension with other pension holders of SBI who retired after 1993.
3966 of 2010	IBI Pensioners' Association	State Bank of India	The petition is filed for equitable distribution of accumulation of the pension fund among the surviving members of the petitioner association and for recoupment of Rs. 197 crore debited to the fund as on 31.03.2009 improperly appropriated on account of revision of DA.

In this context, the Ministry of Finance (Department of Financial Services) also submitted:-

*"There are some Court cases pending in view of the fact that no Dearness Allowance fixation was done from the year(s) 1989 to 1993 and the same was fixed only in the year 1994. Since the pensioners demanded the said fixation prior to the year 1994, they filed a petition before the Court."*

10. On the quantum of Family Pension payable to the family members of the deceased IBI retired employees, the Ministry of Finance (Department of Financial Services) submitted that the same is very meager, i.e., 15% of the last basic pay drawn by the employee prior to his/her retirement on attaining the age of superannuation. Even if the State Bank of India put money to the tune of Rs.194 crore in the Pension Fund of IBI, the pensioners may not

going to accrue any benefit from that. IBI Pensioners are getting their pension, either from the IBI Pension Fund or by putting money by the SBI in their Pension Fund. On the day of the retirement, the liability remains fixed but if the interest rate goes down, the income of the Fund is reduced but the liability remains the same. In order to cope with this functional problem, SBI has put in Rs.200 crore in the Pension Fund of IBI during the last 10 years, on different occasions.

11. On the issue, the Committee also undertook a Study Visit to Ooty from 22 to 23 August, 2016 to have a realistic assessment of the impact of submergence of the Imperial Bank of India (IBI) Pension Scheme into the State Bank of India Pension Scheme on the pensioners of IBI and the alleged misappropriation of the IBI Pension Fund by the State Bank of India.

12. During the Study Visit, the Committee drew the attention of the representatives of the Ministry of Finance (Department of Financial Services) to the allegations of the Petitioner, that the SBI Central Board of Directors revised the Dearness Relief (DR) on pension and also directed the Trustees to debit to IBI Pension Fund. Further, the IBI Pension Fund Trustees have misappropriated over Rs. 200 Crore from IBI Pension Fund, which is a violation of the provisions of the Indian Trust Act, 1882 and the SBI Act, 1955. The representatives of the Ministry of Finance (Department of Financial Services) submitted before the Committee as under:-

*"Separate Trust Fund is maintained for IBI pensioners and SBI pensioners for payment of pension to respective categories. The pension payable to the retired employees/ family pensioners has two components, namely, the basic pension (calculated on the date of retirement) and the Dearness Relief (DR) that changes with inflation and as a matter of fact, both are treated as liabilities. At one point of time, in the cases of IBI and SBI pension, basic pension was paid out of Trust Fund and the DR out of Bank's Books (Charges Account). Subsequently, as per direction from the Government, the payment method was changed to make payment of both the components from Trust Funds/ special provision account for both the IBI and the SBI pensioners. There is no question of misappropriation as there is no out go other than pension and investment from the fund and the Bank is contributing to these funds out of Bank's profit.*

*Since 2002 to 2014, Bank has contributed to the tune of Rs. 223.03 crore to meet the pension liabilities of IBI pensioners and is holding a corpus of Rs. 105.38 crore as on 31.03.2016."*

13. The Committee, thereafter, wanted to know about the different Pension Funds, i.e., (i) Pension Fund for the retired employees of Imperial Bank of India; and (ii) Pension Fund for the retired employees of State Bank of India. The representative of the Ministry of Finance (Department of Financial Services) submitted:-

*"The Dearness Allowance payment is made from these Pension Funds. Every year, the Actuary values the liability and the deficit is being transferred to the Pension Fund. The Pension Fund is funded properly and at the appropriate time."*

14. On being specifically enquired by the Committee as to whether grant of any *ad-hoc* relief from the IBI Pension Fund to the surviving IBI pensioners is being contemplated by the SBI, the Ministry submitted that, at present, no such proposal is in hand and the fund is meant for payment of pension to the retired employees.

15. The Committee while referring to the instant Representation of Shri C.L. Kapoor, desired to know as to whether the Ministry of Finance (Department of Financial Services) have also received any Representation by him. The representative of the Ministry of Finance (Department of Financial Services) submitted that they have replied to each and every letter/complaint made by Shri C.L. Kapoor and from various fora/authorities, received by them on the instant matter.

In this context, the witness further submitted:-

*"In the cases where payment of pension is a defined benefit as per the service condition of the concerned employee(s)/ retired employee(s), whether they served in the IBI or in the SBI, the liability to pay the pension is on the Bank and to meet the same, the SBI is making contribution to the Pension Fund on a continuous basis out of Bank's profit so that the liability can be discharged by the fund till the survival of the last beneficiary."*

## OBSERVATIONS/RECOMMENDATIONS

### Submergence of Imperial Bank of India Pension Scheme in the State Bank of India Pension Scheme

16. The Committee undertook an in-depth examination of various aspects raised by Shri C.L. Kapoor in his Representation which broadly relates to disbanding the Imperial Bank of India (IBI) Pension Scheme and alleged apportioning the Pension Fund by changing their accounting system with effect from 1 November, 1993 as well as entrusting the employer sponsored viable IBI Pension Scheme to the State Bank of India to operate the same under Section 7 of the State Bank of India Act, 1955 - which is contrary to the provisions of the Act *ibid*. During the Study Visit of the Committee and the interaction with the representatives of the Ministry of Finance (Department of Financial Services), a large number of issues which impinges on the submergence and functioning of the IBI Pension Scheme in the SBI Pension Scheme came to the fore. The written replies provided to the Committee by the Ministry of Finance (Department of Financial Services) also brought into sharper focus the content and contours, besides the extent of compliance of the said Scheme. The Committee deliberated on these matters extensively, in the context of the instant Representation of Shri C.L. Kapoor, Secretary, Imperial Bank of India Pensioners' Association. Some of the historical aspects along with the functioning of the submerged SBI Pension Scheme that have a special bearing on the issues raised in the Representation need recapitulation:-

- *The three Presidency Banks viz. the Bank of Bengal (established in 1806), the Bank of Madras (established in 1843) and the Bank of Bombay (established in 1840) were amalgamated into the Imperial Bank of India (the IBI) in 1921.*

- ***On the recommendations of the All India Rural Credit Survey Committee for creation of a state partnered and state-sponsored Bank by taking over the Imperial Bank of India, and integrating with it, the former state-owned or state-associate Banks, an Act was passed in the Parliament in May, 1955 and the State Bank of India was constituted on 1 July, 1955. The State Bank of India Act, 1955 was enacted to constitute a State Bank of India, to transfer to it the undertaking of the Imperial Bank of India and to provide for other matters connected therewith or incidental thereto.***
- ***The post-amalgamation of the three Banks viz. the Bank of Bengal, the Bank of Madras, and the Bank of Bombay into the Imperial Bank of India, the Pension Scheme (with same formula of calculation/ payment) continued for the officers and employees of the IBI, who were the members of the Imperial Bank of India Employees Pension and Guarantee Fund.***
- ***With the post-transformation of the Imperial Bank of India into the State Bank of India w.e.f., 1 July, 1955, the employees, who joined the IBI before formation of the SBI on 1 July, 1955, on retirement, were treated as IBI pensioners and those who joined on or after 1 July, 1955 were treated as SBI pensioners on retirement.***
- ***The IBI Pension Scheme and the SBI Pension Scheme are run by separate Rules named "The Imperial Bank of India Employees' Pension and Guarantee Rules and Regulations" and "The SBI Employees Pension Fund Regulations" respectively.***
- ***No changes in the aforesaid Scheme were brought and the employees of the IBI continue to be governed under the Pension Plan of the erstwhile IBI post submergence of IBI with the SBI.***
- ***The IBI Pension Fund and the SBI Pension Fund are regulated as per the respective Trust Fund Rules and all the Directors of Central Board of SBI are members in the Board of Trustees of both the Funds. Both the Funds are audited at half-yearly intervals by the Trust appointed auditors and statement of accounts is placed before the Board of Trustees as per the respective provisions in the Fund Rules. As far as the quantum of pension receivable by the erstwhile IBI employees***

*(retired prior to submergence and retired after the submergence) as well as the retired SBI employees is concerned, both are same.*

- *In both the entities, viz., the IBI and the SBI, the basic pension gets frozen on the date of retirement and subsequently, computation of basic pension was/is done on same formula for both the pensioners where the date of retirement is same.*

In the light of the above, the Committee will now delve into some of the specific components of the Representation.

Revision of the Dearness Relief (DR) on Pension and Debit to IBI Pension Fund instead of the Bank Account.

17. The Committee note that separate Trust Fund is being maintained for the IBI and the SBI pensioners respectively, which is isolated from Bank's books for payment of pension to respective categories, and with a view to ensuring that these payments are made over the remaining lives of the pensioners, the Bank funds the same, periodically, in the name of '*provision*' as per the Accounting Standards. The Committee also note that the pension payable to the retired employees/family pensioners has two components, *i.e.*, the Basic Pension (*calculated on the date of retirement*) and the Dearness Relief (DR) - which changes with inflation and both are treated as liabilities for the Bank.

18. The Committee have also been given to understand that at one point of time, in both the cases of the IBI and the SBI Pension Scheme, the Basic Pension was paid out of the Trust Fund and the Dearness Relief - out of Bank's Books (Charges Account). The Ministry of Finance (Department of Financial Services), during the examination of instant Representation further apprised the Committee that subsequently, as per the direction from the Government, the payment method was



changed to facilitate payment of both the components from the Trust Funds/Special Provision Account for both the IBI and the SBI pensioners.

19. While going through the case, threadbare, the Committee are of the firm opinion that any amendment in the existing provision(s) with regard to the mode of payment of the pension should not be discriminatory vis-a-vis their counterparts in the State Bank of India and, therefore, should not harm the interests of any of the IBI pensioners. Though the Committee appreciate the efforts made by the Bank in the form of contributing an amount of Rs. 223.03 crore to the Fund for meeting the pension liabilities towards the IBI pension 2002 to 2014, thereby, resulting in accumulation of a corpus of Rs. 105.38 crore as on 31.03.2016, yet, the Committee urge the Ministry of Finance (Department of Financial Services) to take all the requisite measures, well in advance, to infuse more funds to the Trust Funds/Special Provision Account for the IBI for meeting the liabilities of the pensioners. Besides, the Committee also recommend the following:-

- (1) All the relevant Rules/Provisions of the IBI Employees' Pension & Guarantee Fund should be scrupulously followed by the Bank.
- (2) Proper management of the aforementioned Fund should be ensured by the Board of Trustees and all the deliberations/transactions with respect to the Fund should also be duly approved by the Executive Trustees in accordance with the extant provisions.
- (3) There should not be any violation in the relevant provisions of the law/statutory rules governing the Fund and in case, any non-compliance of the same is found particularly, the aspect relating to misappropriation of the Fund, strict action should be initiated by the Ministry of Finance (Department of Financial Services).

- (4) A special 'Pension Grievance Cell' on the pattern of the Centralized Staff Pension Processing Cell should be established to address the issues related to the IBI pensioners.

The Committee would like to be apprised of the measures taken by the Ministry in this regard.

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