**State Bank of Patiala**

**General Secretary**

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**Retired Officers' Association (Regd.)**

 **31, NEW GREEN PARK COLONY, PATIALA**

**(Affiliated to All India Bank Retirees’ Federation )**

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**Circular No. 6 of 2017-20 Dated 16th Feb 2018**

 **Dear Comrades,**

 **T**here are queries from our members regarding the payment of Commutation.  We are attaching a copy of the note prepared duly quoting the relevant rules/regulations as received from Shri C.N.Prasad, Convener, Coordination of eAssociate Bank Retirees’ Organisations

 ***Extract from Bank Employees’ Pension Regulations, 1995 :***

*56. Residuary provisions - In case of doubt in the matter of application of these regulations, regard may be had to the corresponding provisions of Central Civil Services Rules, 1972, or Central Civil Service (Commutation of Pension ) Rules, 1981 applicable for Central Government employees with such exceptions and modifications as the State Bank of India in consultation with the Board of Directors of the Bank and with the approval of the Reserve Bank of India may from time to time determine.*

***Extract from Central Civil Services (Commutation of Pension) Rules, 1981***

*6 (1) The commutation of pension shall become absolute in the case of an applicant referred to*

*. . . . . . . .*

*Provided that -*

*(b) in the case of an applicant who is drawing pension from a branch of a nationalized bank, the reduction in the amount of pension on account of commutation shall be operative from the date on which the commuted value of pension is credited by the bank to the applicant's account to which pension is being credited.*

*. . . .*

*(2) In the case of an applicant referred to in Rule 9 or Rule 10, the commuted value is paid in two or more stages, the reduction in the amount of pension shall be made from the respective dates of the payments as laid down in Clause (a) or Clause (b) of the proviso to sub-rule (1).*

*10 A. Restoration of Commuted Pension –*

*“The commuted amount of pension shall be restored on completion of fifteen years from the date the reduction of pension on account of commutation becomes operative in accordance with rule 6:*

*Provided that when the commutation amount was paid on more than one occasion on account of upward revision of pension, the respective commuted amount of pension shall be restored on completion of fifteen years from the respective date(s)”*

***Extract from FAQs on Central Civil Pension in website (http://pensionersportal.gov.in/FAQ\_Civil.pdf)***

*G.12. What would be the age to be used for commutation of additional commutable pension and which factor would be used for such additional commuted value of pension ?*

*The age reckoned for calculation of commuted value of pension at the time of original application for commutation of pension will apply for calculation of commutation value of additional commutable pension. However, as mentioned in the OM dated 2.9.2008, the commutation factor in the revised Table of Commutation Value for Pension will be used for the commutation of the additional amount of pension that has become commutable on account of retrospective revision of pay/pension.*

*G.13. From which date the reduction in pension on account of additional commutation of pension will take effect?*

*Reduction in pension on account of additional commutation of pension will be in two stages as per the provisions contained in Rule 6 of the CCS(Commutation of Pension) Rules,1981*

*G.14. What will be the date of restoration of additional commutation of pension?*

*The commuted portion of pension shall be restored after 15 years from the respective dates of commutation as provided in Government of India decision No.1 under the Rule 10 of CCS(Commutation of Pension) Rules,1981. Necessary endorsement should be made on PPO.*

*G.15. A person with D.O.B. on first of month retires in the previous month. What will be the value to be taken for calculation from commutation table ?*

*The commutation of pension become absolute on the date following the ate of his retirement. The commutation value taken will be Age on 61st Birthday i.e. 8.194 in the present commutation table*

*G.16. If the commuted amount is paid in stages then what will be the date of restoration?*

*If the payment of commuted value is made in stages, the restoration will also be made in stages from the respective dates of payment.*

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| Note on reduction of Commutation portion of Basic Pension, even before payment**Bank employees are entitled to Commute Pension to the maximum extent of 1/3rd of Basic Pension in terms of regulation 41 of Bank Employees’ Pension Regulations, 1995. Almost every retiree is commuting 1/3rd of Basic Pension, at the time of retirement. Commuted portion of Basic Pension is reduced from the Basic Pension for a period of 15 years from the date of Commutation. There is no controversy, if the Basic Pension remains unaltered. But, there is a controversy in case of Commutation of Pension in case of Pensioners, whose Basic Pension is revised at a later date on account of various reasons such as decision of the Courts, rectification of errors in calculation of Pension, Bipartite Settlement, etc. In all such cases, Banks are rightly calculating Commutation amount based on the Commutation factor applicable to the age of the retiree at the time of retirement. Commuted portion of increased Basic Pension is reduced from the date of retirement, even though the payment of Commuted amount is made subsequent to retirement in respect of cases where Basic Pension is revised on account of various reasons. In several cases, the gap between the date of retirement and date of actual payment of commuted amount is vast. In many cases, such periods exceed even a decade.****What is the impact in such cases, where commuted amount is paid subsequently on account of revision in Pension consequent to decision of Courts or rectification of mistakes while calculating Pension or on account of Settlement. The Payment of pension in terms of Regulation 29(5) of Bank Employees’ Pension Regulations, 1995 in terms of decision of Hon’ble Supreme Court of India in Bank of India & ors Vs Mohandas & ors by duly adding service to the maximum extent of five years, is one such example, where pension is revised after a period of 8 ½ years after retirement. In respect of Vijaya Bank and Allahabad Bank, the delay is more than thirteen years. Retirees who are benefited by this Judgment or subsequent judgments in same controversy, got the commuted amount for the increase portion of basic pension calculated as on the date of retirement, but actually received the amount after a gap which is more than 8½ years. But, while calculating arrears, Banks reduced the Basic Pension by 1/3rd of the increased Basic Pension amount from the date of retirement instead of reducing from the date of payment of increased portion of Basic Pension. This has resulted in great loss for the retirees.****What is Commutation of Pension ? Commutation of Pension means exchange of 1/3rd of Basic Pension payable over a period of fifteen years with a lumpsum. Reduced portion is restored after a period of fifteen years from the date of Commutation. In financial terms, Commutation amount is the discounted amount of 1/3rd of Basic Pension payable over a period of fifteen years. It is discounting future payments, but not discounting past payments.****There are three events in Commutation of pension – a) Applying for Commutation, b) Payment of Commutation amount and c) Restoration reduced portion of Basic Pension.** 1. **Date of application of Commutation : In respect of superannuation/ voluntary retirement Commutation becomes absolute on the date of retirement, even though application is submitted prior to retirement. Pension has the right to receive the commutation amount which is calculated based on his age as on next birthday.**
2. **Payment of Commutation amount : There is no controversy, if the Commutation amount is paid on or immediately after retirement. But, the pensioners are losing if the payment is made subsequent to retirement on account of revision in Basic Pension consequent to Court Orders, etc., after delay. Most Banks are reducing the commuted portion of increased amount of Basic Pension from the date of retirement, instead of one month from the date of payment of commuted amount. There are many cases where amount recovered on account of reduction of Basic Pension is much higher than the Commuted amount received later by the retiree.**
3. **Restoration of reduced portion of Basic Pension: It is immediately after fifteen years after receipt of commutation.**

**This controversy is on account of misunderstanding of the word ‘Commutation’. ‘Commutation’ is a process, which begins with application for ‘Commutation’ and concludes with payment of Commuted amount. Banks are not entitled to reduce 1/3rd of till this process is complete. Whenever, a part amount is paid after a period of time on account of any reason, ‘Commutable portion’ can be reduced only after payment of such benefit, i.e completion of entire process of ‘Commutation of pension’, not before. Reduction of commuted portion of Basic pension, even before payment of pension, is erroneous.** **Effect of erroneous method is explained with the example of a Vijaya Bank retiree, who has received arrears of pension on account of payment of Pension duly adding service in terms of Regulation 29(5) of Bank Employees’ Pension Regulations.**

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| Particulars | From 1.5.01 to 31.1.14 |
| **Basic Pension –Revised** | **Rs.4,478-00** |
| **Basic Pension – Old** | **Rs.3,756-00** |
| **Difference** | **Rs. 722-00** |
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| **Commuted portion – New** | **Rs.1,492-00** |
| **Commuted portion – Old** | **Rs.1,252-00** |
| **Difference** | **Rs. 240-00** |
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| **Commutation amount – New** | **Rs.2,26,664-00** |
| **Commutation amount – Old** | **Rs.1,90,203-00** |
|  | **Rs. 36,461-00** |
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| **No. of months** | **48 + 105 = 153** |
| **Total amount deducted** | **240 x 153 = 36720** |
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| **Commutation amount** | **36,720 – 36,461** |
| **Excess of recovery over paid** | **259** |
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| **Remaining months** | **27** |
| **Per month difference** | **240** |
| **Total amount deductible** | **240 X 27 = 6,480** |
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| **Gross total amt deducted + to be deducted + Excess of recovery** | **259 + 6,480 = 6,739** |
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| **Increase in arrears, if deduction commences after one month after payment** | **Rs.36,720-00** |

**In the above example, we can see that this retiree did not get any net Commutation amount (i.e Commutation amount difference reduced by aggregate of Basic Pension reduced). Against the commutation difference of Rs.36,461/-, aggregate of amount reduced is Rs.36,720/-. The net effect is that instead of receiving discounted amount of Rs.36,461/-, this retiree has to forego difference in arrears to the extent of Rs.259/- plus, he has to lose another amount of Rs.6,739/-.****How to remove this anomaly ? Notes (2) to the table provided in Regulation 41 clearly states that reduced amount is restored after fifteen years after commutation. Which means, reduction commences from the date of commutation. Commutation also means actual date of payment and it is neither date of retirement nor date of application. If applied earlier, Commutation becomes absolute on the date of retirement. The retiree is eligible to receive full amount of commutation on the date of retirement. In respect of cases, the delay in payment is on account of omission & commission by the Bank, retiree cannot be penalised.****Rule 6 (1) b, 6 (2) and 10(A) of Central Civil Services (Commutation of Pension) Rules, 1981 read with Regulation 56 of Bank Employees’ Pension Regulations, 1995 clearly provides for reduction of commutation portion commences only after payment, but not before. Said Rules are extracted, hereunder :****6 (1) The commutation of pension shall become absolute in the case of an applicant referred to** **. . . . . . . .****Provided that -****(b) in the case of an applicant who is drawing pension from a branch of a nationalized bank, the reduction in the amount of pension on account of commutation shall be operative from the date on which the commuted value of pension is credited by the bank to the applicant's account to which pension is being credited.****. . . .****(2) In the case of an applicant referred to in Rule 9 or Rule 10, the commuted value is paid in two or more stages, the reduction in the amount of pension shall be made from the respective dates of the payments as laid down in Clause (a) or Clause (b) of the proviso to sub-rule (1).****10 A. Restoration of Commuted Pension –** “The commuted amount of pension shall be restored on completion of fifteen years from the date the reduction of pension on account of commutation becomes operative in accordance with rule 6: **Provided that when the commutation amount was paid on more than one occasion on account of upward revision of pension, the respective commuted amount of pension shall be restored on completion of fifteen years from the respective date(s)”****FAQs on Commutation of Pension as available in FAQs on Central Civil Pension in website http://pensionersportal.gov.in/FAQ\_Civil.pdf, clearly provide for :**1. **Commutation Factor as applicable on the date of retirement ;**
2. **Reduction of Basic Pension, with effect from the date of credit of capital amount of commutation to Bank account, if it is not paid within one month of retirement.**

**With these provisions, every retiree whose Basic Pension is increased subsequent to retirement on account of various reasons, such as decision of Courts, Errors in calculations, sanction of increments/revision in pay, revision in pay on account of Bipartite Settlements, is entitled to receive commutation amount reduced from the pension/arrears paid between date of retirement and date of payment of commutation amount.**  |

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 With greetings

 Yours sincerely,

 B.C.Bassi

 General Secretary