



They is not the limit, we cover it...

ALL INDIA REGIONAL RURAL BANK OFFICERS' FEDERATION

(Affiliated to AIBOC)

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CIRCULAR NO: AIRRBOF/SP 19/2019-20

Date: 07-01-2020

All Affiliates/ Members
(Please re-circulate)

Sub: Treatment of liability arising out of payment of pension to RRB employees and officers under Regional Rural Banks (Employees) Pension Scheme, 2018.

We reproduce hereunder the full text of our Letter No. AIRRBOF/ 21 /2019-20 Dated-06-01-2020 addressed to The Joint Secretary, Govt. of India, Ministry of Finance on the above subject for information of all concerned.

With greetings,

(S.K.PAL)
GENERAL SECRETARY

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(2)

Quote

Sri Suchindra Misra

Joint Secretary(SM)

Govt. of India

Ministry of Finance,

Department of Financial Service

Jeevan Deep Building Parliament Street

New Delhi- 110001

Date: 06/01/2020

Re: Treatment of liability arising out of payment of pension to RRB employees and officers under Regional Rural Banks (Employees) Pension Scheme, 2018.

Sir,

Consequent upon introduction of the said pension scheme, it is required to recognize and charge the total pension liability to a provisional pension payable head by the respective RRBs.

Most of the RRBs have however resorted to ad hoc measures instead of transferring the funds to the pension bodies set up in the RRBs. The entire requirement by way of assessed pension load has not been released. As a direct consequence, Pension Trust corpus has not been built up. Pension Trusts have neither been able to explore avenues for generating income to strengthen their bottom lines. The Profit & Loss accounts of the RRBs are set to perennially bleed to offset the recurrent load. Central Govt. guidelines and the provisions of the Pension Regulations require release of the entire pension liability to the Pension Trusts. And accordingly, before the end of the financial year, **an asset and liability assessment has to be made and any residual liability has to be made good by debit to P& L account.**

The problems regarding empowering the Pension Trusts have been further compounded by the sad reality that most RRBs have not probably obtained a reliable and trustworthy assessment of the total pension liability by any reputed, independent and competent Actuary. Erroneous and unreliable assessment of this vital parameter will naturally result in a scaling down of the total load. So, even if this fallacious amount is transferred to the Pension Trusts, **the resultant huge annual mismatch between asset and liability will be a terrible burden to the P& L accounts.**

Another alarming trend in some RRBs is wrong projection of CRAR. The matter has probably already drawn the attention of NABARD. As recapitalization is based on the CRAR, in such RRBs, fresh capital infusion by way of recapitalisation will not be commensurate with the actual requirement.

At this critical juncture, it is incumbent on the RRBs that they must exercise adequate caution in evaluating these vital parameters, project a true and accurate reflection of their financial health and as a whole, carry out all the directions in line with the Pension Regulations adopted and approved by their Boards.

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(3)

The right of the officers and employees of RRBs to receive pension has been established after a prolonged and bitter legal battle and we are therefore apprehensive.

It is a redeeming factor that Reserve Bank of India, being deeply concerned over the issue of profitability of the RRBs, has already issued necessary instructions from a regulatory perspective through NABARD, allowing RRBs to amortise the total pension liability over a period of five years, but within 31st March, 2023.

We therefore hope that, being seized of the gravity of the problem and in the interest of viability and profitability of the RRBs, you will kindly intervene and cause necessary directions to be issued to the managements of the RRBs to

- 1) Engage independent and competent Actuaries to reassess the pension liabilities,**
- 2) Cause the entire pension liability amount to be transferred to the Pension Trusts,**
- 3) Accurately recalculate the CRAR for a true reflection of the financial health of the respective RRBs,**
- 4) And to meticulously follow the provisions of the Pension Regulations in vogue.**

Yours faithfully,

Sd/-

Srijan Kr Pal
General Secretary

Copy for kind information and necessary action to:

The Chairman
National Bank for Agriculture and Rural Development
Department of Supervision

Unquote