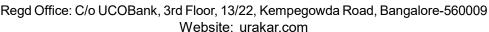


## UCOBANK RETIREES' ASSOCIATION KARNATAKA (Regd)

(Regd as S.No: 699/97-98 Dated 20/01/1998 with the Registrar of Societies, Karnataka)





14/03/2018

UBRA-KAR/CIR/025/2017-2020

To All Members of our Unit.

Dear Comrades,

**Sub: Erosion of Pension with Time lapse** 

Please find a write up on Pension by Sri C R Mahadevan forwarded to me by Sri D V Ashok an activist with our Andhra Pradesh Unit. It is an interesting study. Though the write up pertains to LIC of India it applies to us as well considering the erosion of value of rupee over a period of time

Yours faithfully,

Ravindra Krihna

Ravindra Krihna Honorary Secretary

C H Mahadevan 13/3/2018

## HOW THE REAL VALUE OF BASIC PENSION HAS BEEN FALLING FOR LIC PENSIONERS (BASED ON COST INFLATION INDEX)

Do you know how the real value of basic pension of pensioners depreciates year by year? This is how it goes down:

The first generation of pensioners have suffered an average annua erosion in their basic pension by 6.9% on a compounded basis whose real value per Rs 1000 of Basic Pension was only Rs 195 in 2016-17. The latest generation of pensioners (who retired before 1/8/2012) have suffered an annual average depreciation of 8.3% in Basic Pension up to 2016-17.In other words ,inflation erodes the basic pension at an average annual rate ranging from 6.7% at the lowest to 8.3% at the highest .

		Present Real Value of Basic Pension of Rs1000	
Average annual rate of inflation from 1993-94 to 2016-17(23 yrs.)	6.9 %	195	
Average annual rate of inflation from 1997-98 to 2016-17(19 yrs.)	6.7	270	
Average annual rate of inflation from2002-03 to 2016-17(14 yrs.)	6.8%	372	
Average annual rate of inflation from 2007-08 to 2016-17(9 yrs.)	8.3%	461	
Average annual rate of inflation from 2012-13 to 2016-17(4 yrs.)	7.2%	742	

I give below the table showing the depreciated Basic Pension for a Basic Pension of Rs 1000 for various financial years of retirement



A Unit of All India UCOBank Pensioners' Federation, Kolkata Affiliated to All India Banks' Pensioners' and Retirees' Confederation



Year of Retirement	Real value of of Rs 1000 of Basic Pension	% of Loss in real value as in 2016-17	Year of Retirement	Real Value of Rs 1,000` of Basic Pension 2016-17	% of Loss in Real value as in in 2016-17
1993-94	195	80.5	2005-06	414	58.6
1994-95	207	79.3	2005-06	432	56.8
1995-96	226	77.4	2007-08	461	53.9
1996-97	247	75.3	2008-09	488	51.2
1997-98	270	73.0	2009-10	533	46.7
1998-99	288	71.2	2010-11	608	39.2
1999-20	322	67.8	2011-12	679	25.8
2000-01	337	66.3	2012-13	752	17.5
2002-02	354	64.6	2013-14	825	9.4
2002-03	372	62.8	2014-15	906	4.1
2004-05	400	60.0	2016-17	1000	0.0

For example, if you are an AO retired in 1996-97 with Basic Pension of Rs 4485/-, the real value of your Basic Pension in 2016-17 will be =  $(247/1000) \times 4485 = 1108$ , which is just 24.7% of its original value. In other words, the need for upgradation of pension with every wage revision if the depreciation in the real value of basic pension is to be avoided.

This situation does not arise in the case of in-service employees who are protected against such depreciation in the real value of salary by five-yearly revision of pay scales.

Also, although LIC allows Dearness Relief on full Basic Pension in spite of allowing commutation of pension, the real benefit of Dearness Relief does not flow to old pensioners unless the pension is upgraded to offset effects of inflation.

LIC in its counter affidavit to SLPs has taken the stand that the inflationary effect is offset by grant of Dearness Relief based on AICPI clearly overlooking the fact that half yearly increases in Dearness Relief is only to meet the increased day to day cost of living from time to time while upgradation of pension is needed to compensate for the loss suffered in capital value of the Basic Pension due to inflation over a longer span of time.