The Chairman & Managing Director/
The Chief Executive Officer
All Agency Banks

Dear Sir/Madam

Payment of Agency Commission on pension accounts

As you may be aware, agency banks are being compensated at Rs. 65 per transaction for handling pension computation, payment and related services on behalf of Central and State Governments. As per the norms followed by the Government, a pensioner’s account should not have more than 14 credit transactions in a calendar year attributable to pension and related arrear payments, if any.

2. It has however come to our notice that certain banks are apportioning payment of arrears on account of Dearness Relief (DR) and/or delay in start of pension monthwise, thus, resulting in inflated agency commission claims. It is reiterated that number of commissionable transactions for payment of agency commission on account of pension in a year should not exceed 14. This includes one monthly credit for payment of net pension and a maximum of two per year for payment of arrears on account of increase in DR, if applicable.

3. It is also reiterated that cases involving payment of arrears on account of late start/restart of pension qualifies as a single transaction for claiming of agency commission. In other words, any payment of arrears on account of late start/restart of pension should be effected in a single credit transaction instead of separate monthly credits.
4. Some of the Central Government Departments and State Governments prefer to compute the pension figures on their own and pass them on to banks for payment. Such transactions may be included under non-pension payments, on which agency commission is payable on a turnover basis as per the existing norms (currently at 5.5 paise per Rs. 100/-).

Yours faithfully

(Manish Parashar)
Deputy General Manager