

**Seminar Name : Current Issues in Retirement Benefit
(15th CIRB)**

Venue : Hotel Sea Princes, Juhu, Mumbai

Date : 29 & 30th Nov' 18

Retirement solutions for Indian population

Speakers name: Mr Sumit Shukla

Designation: CEO, HDFC Pension Management Company Limited

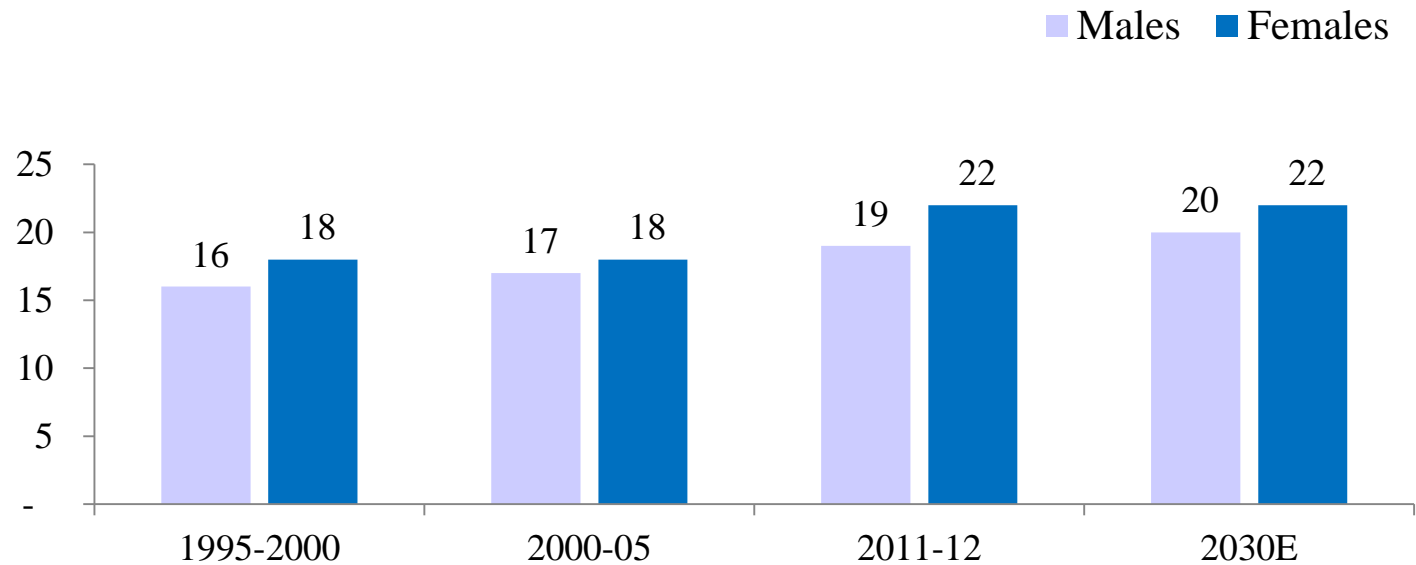


Scope of Presentation



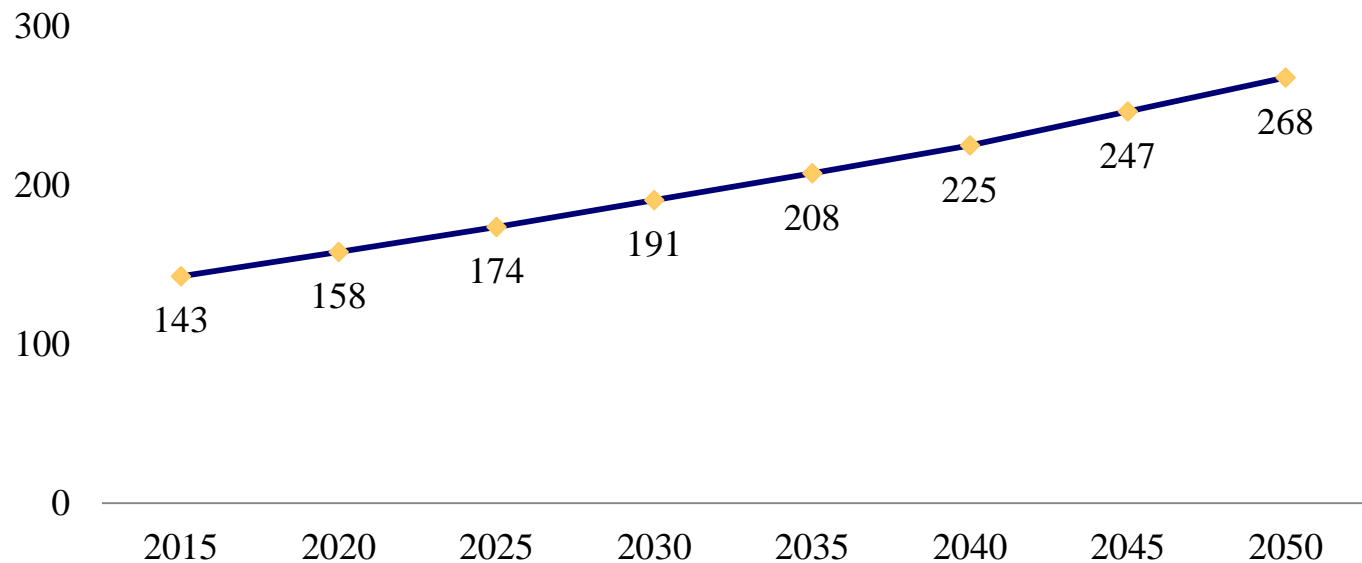
- Need of Retirement planning
- Challenges / issues in retirement benefits
- Way Forward

Improvement in life expectancy is expected to lead to an increase in the % of elderly population



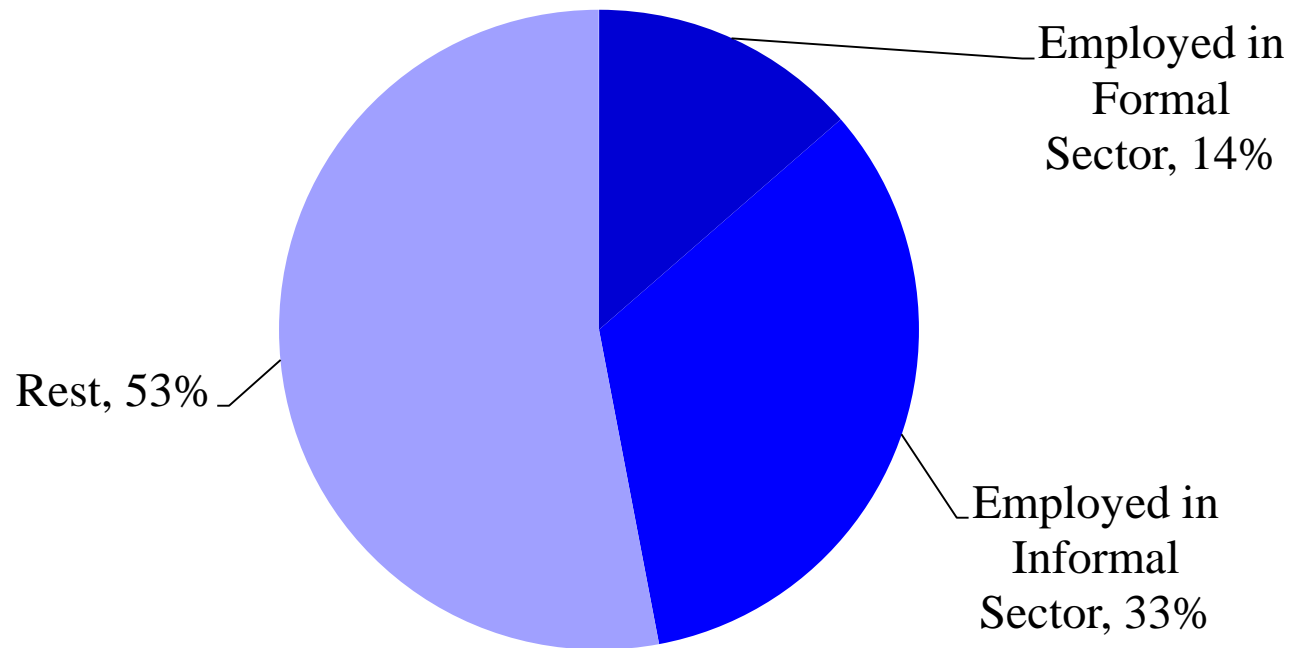
Life Expectancy at the age 60

While traditional support structures of joint family are on decline, old age dependency ratio is expected to be on the rise



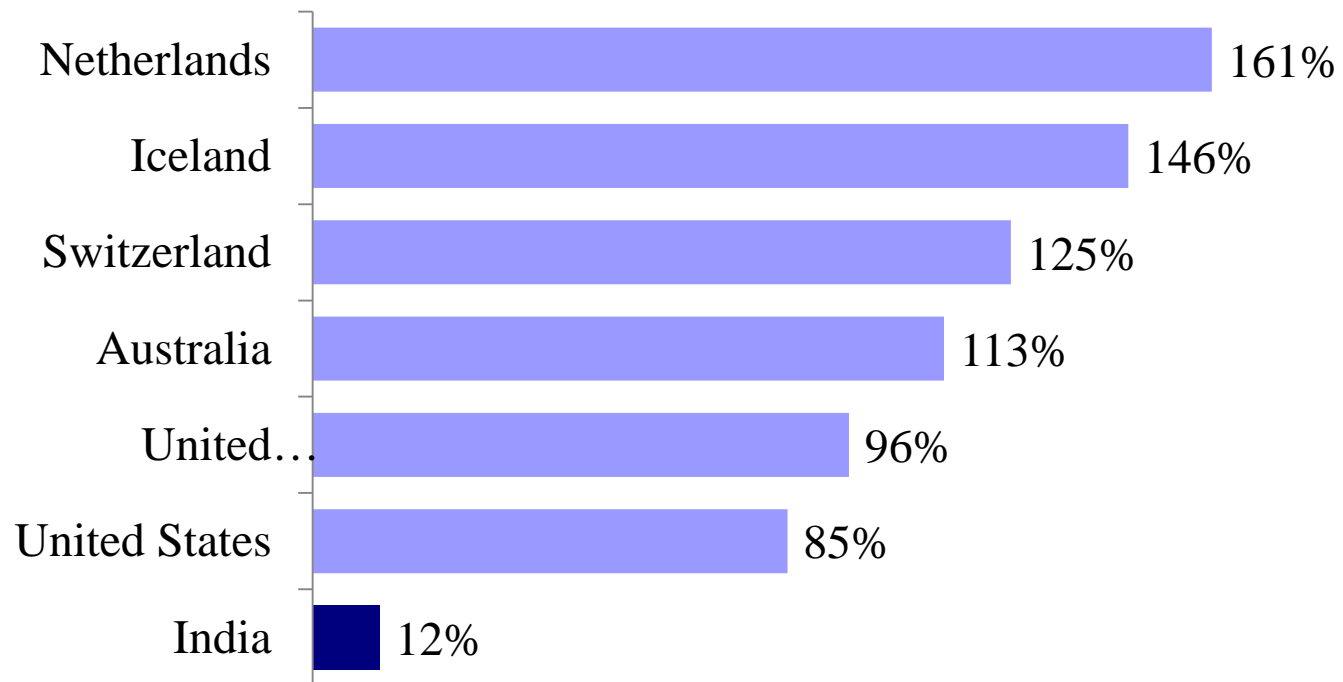
Old age dependency ratio per thousand

Formal pension cover is available or mandated for employees in the formal sector only, keeping a vast employable population at bay



Only 14% of the population in India is engaged in some formal employment...

...resulting in a meagre 12% of country GDP being in pension assets v/s 120% in developed countries



Retirement Funds as a % of GDP

Multiple regulators, different products, different tax benefits and different tax treatment are leaving the customer confused (1/2)

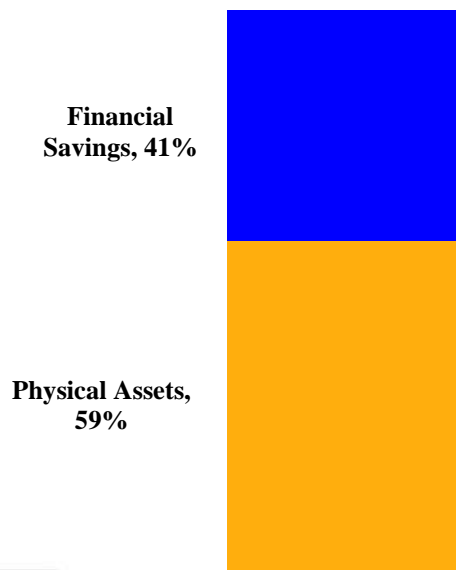
Regulators	EPFO	PFRDA	
Products	EPF	PPF	NPS
Differences in Payout at Exit	Lump sum	Lump sum	Lump sum + Pension
Differing Tax Treatment	EEE	EEE	EEE/T
Tax Benefits at contribution stage	Employer Contri tax-free (12%) Employee Contri within 80C (12%)	Up to 150k within 80C	10% of basic by employer + 50K tax free
Varied period of Vesting	Post Retirement	15 years	Post Retirement

Multiple regulators, different products, different tax benefits and different tax treatment are leaving the customer confused (2/2)

Regulators	IRDAI			SEBI
Products	SAF	Gratuity	LI Pension/ Annuity	MF Pension
Differences in Payout at Exit	Lump sum + Pension	Lump sum	Lump sum + Pension	Lump sum
Differing Tax Treatment	EEE/T	EEE	EET	EET
Tax Benefits at contribution stage	15% of basic pay up to 150k is tax free	8.33% basic pay tax-free up to 20L	Up to 150k within 80C	Up to 150k within 80C
Varied period of Vesting	Post Retirement	5 years	10 years	3 years

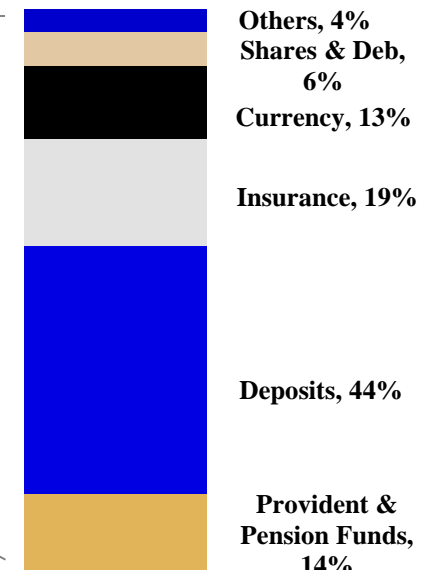
And the result...a low belief in pension savings

Household savings for the year 2016-17



59% savings are mostly in property and gold

Financial savings for the year 2016-17



Only 14% of financial savings are in pension funds

The Way Forward – what's required



Strengthen the product proposition	Strengthen Distribution network
<ul style="list-style-type: none">➤ Single regulator to manage Pension schemes➤ Simple product – easy to understand➤ Combination of defined benefit and defined contribution➤ Restrict withdrawals during accumulation phase to build large corpus	<ul style="list-style-type: none">➤ Strengthen distribution network – including India Post to distribute schemes like Atal Pension Yojna to remote areas to increase penetration➤ Incentivize distributors and fund managers appropriately for a healthy growth of sector
Strengthen Annuity	Increase Awareness
<ul style="list-style-type: none">➤ Made access of suitable long-duration assets for Annuity Service Providers to match the long-tailed liability➤ Strong Annuity products covering Regular pay-outs for life, Income for dependent survivors and Protection against inflation	<ul style="list-style-type: none">➤ Increase awareness<ul style="list-style-type: none">➤ Advertisements➤ Nukkar natak, road shows➤ Involvement of Gram Panchayat➤ Taking help of NGOs

Thank You

