

D K Pandit -Partner, M/s K A Pandit

Evolving Frontiers, Exciting Prospects

16th Global Conference of Actuaries & 2014 AGFA

17th – 18th Feb, 2014 Mumbai - India

EMPLOYEE BENEFITS & ACTUARIAL ADVISE



CURRENT SCENARIO

- ▶ Employee Benefits Statutory and as Per Employee Employer agreements.
- ▶ Statutory is AS PER PAYMENT OF GRATUITY ACT 1972 .
- ▶ EMPLOYEE PENSION SCHEME 1995
- ▶ NEW PENSION SCHEME UNDER PFRDA.
- ▶ As Per employee employer agreement Gratuity at rate Better than Payment of Gratuity Act Other Long service benefits while in service.
- ▶ Pension schemes of Banks

CURRENT SCENARIO - CONTINUED

- ▶ Public sector organisations can have only DC scheme including all benefits (Gratuity?)
 - ▶ PSU contemplating Post retirement Medical Benefit scheme (PRMB)
 - ▶ Many Banks want to have PRMB
- 

ACTUARIAL ROLE

- ▶ Actuarial role as on current date is Mainly Valuing Various Employee Benefits As per Requirements of national and international accounting standards.
- ▶ Advising Banks and other PSU as to the effect on cost of providing for inflation linked pension scheme and on their future cost if the same was not factored while settling wage negotiation or if involved advise on factoring the same within the over all package of wage increase.

Evolving Frontiers and Exiting Prospects

- ▶ New Pension Scheme of Central Government Mandatory for Employees Joining the central government or state government or other PSU or PSU Banks after specified Date.
- ▶ This will give Actuaries Prospects of advising to individual or group of individuals or employees on choice of Investment Portfolio and its Manager Actuaries will be required for calculating Appropriate competitive Annuity Rates for annuity provider. Actuaries will be required for advising on the choice of annuity Provider.
- ▶ For quite some time Two schemes one inflation linked Defined Benefit Pension scheme and other Defined Contribution schemes will be running simultaneously with same organisation this will pose resistance from DC members while making higher provisions at their costs for DB members because DB scheme is closed to new entrants .

Inflation and Rate of Interest Volatility

- ▶ Payment of Gratuity Act 1972 the Maximum Gratuity Limit has been increased often resulting into high cost of Actuarial provisions future such increase cannot be ruled out.
- ▶ High Inflation Increases the Actuarial Value of the benefit where as correspondingly high rate of interest will affect low yielding investments this will pose problem in marked to market valuation.
- ▶ EPS 1995 Maximum Salary on which Contributions and Pensions are Calculated is RS.6500/PM
- ▶ Government Having floated Pension scheme for Poor is giving minimum RS. 1000/PM this has pressed EPS 1995 to have such provision and pressure to increase the limit of salary from Rs. 6500/ This would require Actuarial Input as to the scheme and Rule framing
- ▶ Lastly DC may not remain permanent solution it is likely things would change mainly in a developing country where proper social security schemes are not in place.