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# Session Title: PAPER ON THE SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

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Session Speaker

SECTION SUR LES PENSIONS, AVANTAGES SOCIAUX ET SÉCURITÉ SOCIALE DE L'AAI
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# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

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Employee benefit schemes in India
conclusion

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

## Introduction

In India, we have Institute of Actuaries of India—actuarial professional body; recently established by an Act in Parliament of India.

We have 200 fellows, and around 9000 students.

Nearly 50 are in the field of actuarial consultancy.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

## Profile of India

India has a population of 1.1 billions, with different languages and cultures across the country. It has lot of natural resources.

We have 22 life insurers, 21 general insurers and one reinsurer.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

Profile of India

Insurance penetration: 4.7% of GDP;

Insurance density: US$46.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

Employee benefit schemes in India

Social Security Schemes: These are aimed to protect the poor and weaker sections of the society. Life insurance schemes to provide death and personal accident benefits; health insurance schemes; other general insurance schemes such as cattle insurance, hut insurance, etc.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

Employee benefit schemes in India

Social Security Schemes: These belong to government; and schemes are administered mostly by public sector insurers. Premium subsidy is given by the government to help the poor. About 7.1 millions are covered under Group Life Insurance schemes. There are also schemes to insure crops to help the farmers.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

## Employee benefit schemes in India

Pension: Pension is a mandatory benefit for those who work in Central or State governments. It is a voluntary benefit for others who work in public or private sector.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

Employee benefit schemes in India

Pension: PFRDA: (www.pfrda.org.in )Pension Fund Regulatory and Development Authority is being statutorily established to take care of public and private sector pensions. Their main role is to regulate monies during accumulation phase; and the payout phase would be in the hands of life insurers who are regulated.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

Employee benefit schemes in India

Pension: Recent pension schemes are mostly defined contribution models, as employers wish to have known and fixed amount of specific liability. There are a few defined benefit schemes.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

Employee benefit schemes in India

Pension: Pension schemes for tax benefits need to be approved by tax authorities in India. There is a ceiling on the amount of contributions to the pension scheme; there are investment restrictions, and terms and conditions. Usually, contributions need to be accumulated and the accumulated amount must be applied to purchase pension policies from life insurers on retirement/death.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

Employee benefit schemes in India

Pension: Life insurers have insured pension schemes, who manage their monies and provide annuity policies. Of course, there are privately run pension schemes who manage monies and buy annuity policies from life insurers to provide pension benefits to their members.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

## Employee benefit schemes in India

Pension: Life insurers have about 5% of their premium income from pension business. No. of pension schemes is not known, as no reports are published. Perhaps, PFRDA might publish such information after some time.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

Employee benefit schemes in India

Other benefits:

statutory benefits:-

- Provident Fund
- Gratuity

voluntary benefits, in place, in most employments:-

- Leave Encashment
- Medical benefits
- Leave Travel Concession and encashment if not availed; and
- other benefits (which could be unique for employers)

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

## Employee benefit schemes in India

Other benefits:

- Provident Fund: is a benefit as per an Act in India, and every employer who employs 20 or more should provide this benefit.
- Both employer and employee have to contribute to the EPFO (Employee Provident Fund Organization)-a statutory body.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

Employee benefit schemes in India

Other benefits:

- Contribution is fixed at 12% of salary ;this means about 24% of salary is accumulated every year;
- EPFO may exempt certain employers who wish to maintain their own funds.
- Rate of interest is guaranteed –on yearly basis. [it can change from year to year]
- It also provides pension benefit besides provident fund—a portion of employer's contribution is utilized to provide this small benefit.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

Employee benefit schemes in India

Other benefits:

Gratuity: It is a benefit as per an Act to employees; and every employer who employs 10 or more should provide this benefit.

The benefit is 15 days' salary for each year of service; and it is 20 months' salary or Rs.350,000/-, whichever is higher.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

## Employee benefit schemes in India

Other benefits:

- Gratuity: An employer can provide higher amount of gratuity, but not less than the minimum stipulated in the Act.
- An employer who has 500 or more employees should fund this benefit.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

## Employee benefit schemes in India

**Other benefits**:

Gratuity: While funding is not mandatory, funding is a pre-requisite if the employer wants to treat the contributions to the gratuity plan as a tax-deductible expense. As per the Accounting Standards in India, an employer has to make actuarial provision for accrued gratuity liability.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

Employee benefit schemes in India

Other benefits:

Leave Encashment: a benefit offered by most employers in India, on voluntary basis, during period of service, and/or at death/retirement.

It is the amount of leave converted into cash—usually 90 or 180 days' salary.

This is not funded.

Employers need to make provision of accrued liability in their accounts as per the Accounting Standards in India.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

## Employee benefit schemes in India

Other benefits:

Medical Benefits: a benefit offered by most employers in India, on voluntary basis, during period of service, and/or after retirement.

It is domiciliary and/or non-domiciliary (hospital) benefit with certain ceilings. Ceiling of benefit varies from employer to employer.

This is not funded. Employers also buy group health insurance contracts.

Employers need to make provision of accrued liability in their accounts as per the Accounting Standards in India.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

Employee benefit schemes in India

Other benefits:

- Leave Travel Concession and other benefits:
  - benefits offered by most employers in India are on voluntary basis, during period of service, and/or after retirement.
- This is not funded.
- Employers need to make provision of accrued liability in their accounts as per the Accounting Standards in India.

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

## Conclusion

Guidance notes, etc:

The Institute of Actuaries of India issued guidance notes (GNs) to the actuaries in practice, and in some cases, after having dialogue with the Institute of Chartered Accountants in India.

Details of GNs can be had at www.actuariesindia.org .

# SOCIAL SECURITY AND CORPORATE PENSIONS IN INDIA

## Conclusion

THANKS.