



Employee Benefits – India and Beyond

Update on Retirement Benefits outside of India

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Waves of Reforms...Oceans of Opportunities

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Agenda

- Current themes on retirement issues around the world
- Updates on Retirement Benefits from a mature and emerging market:

- US



- South Korea

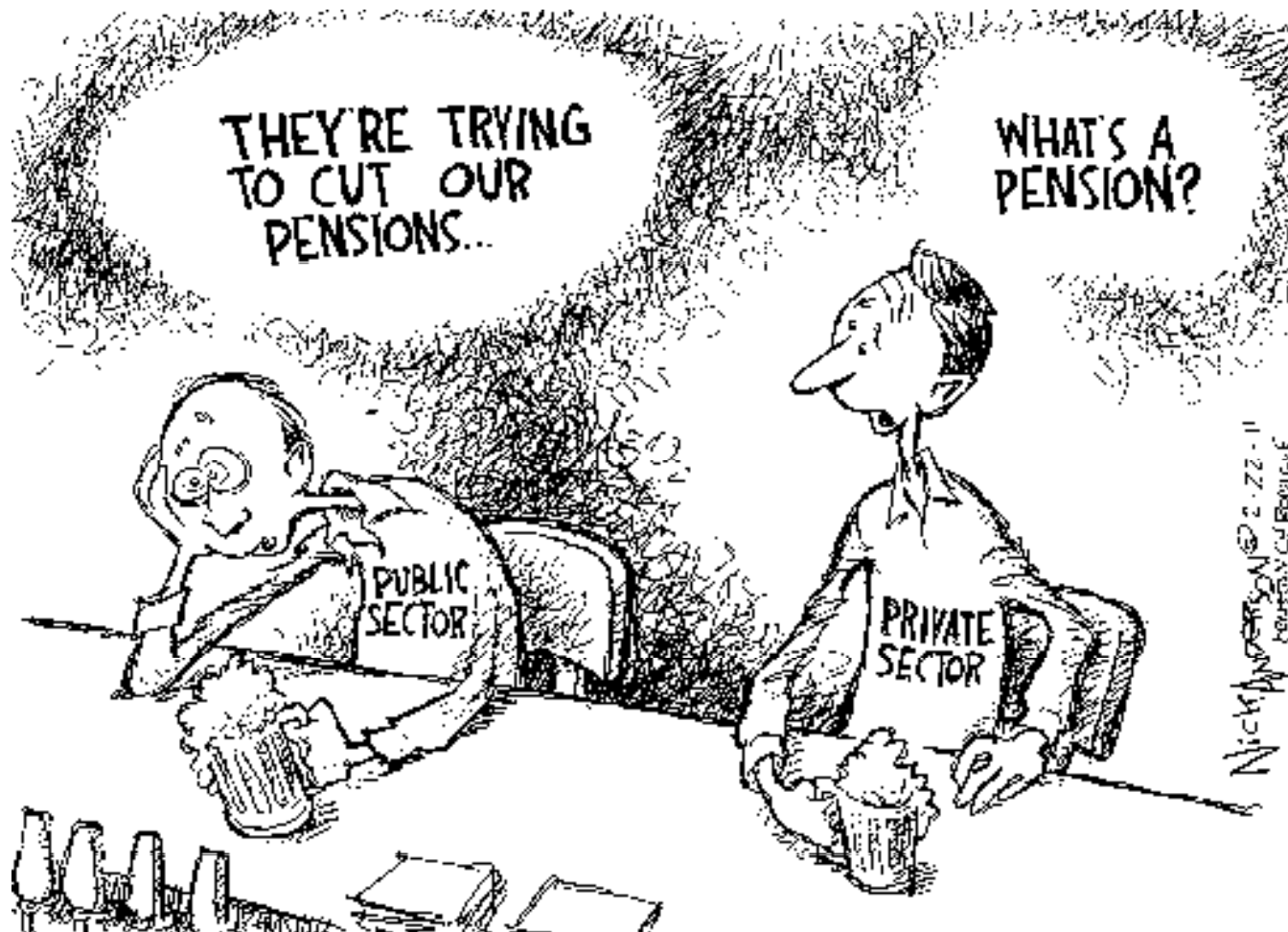


- Looking ahead

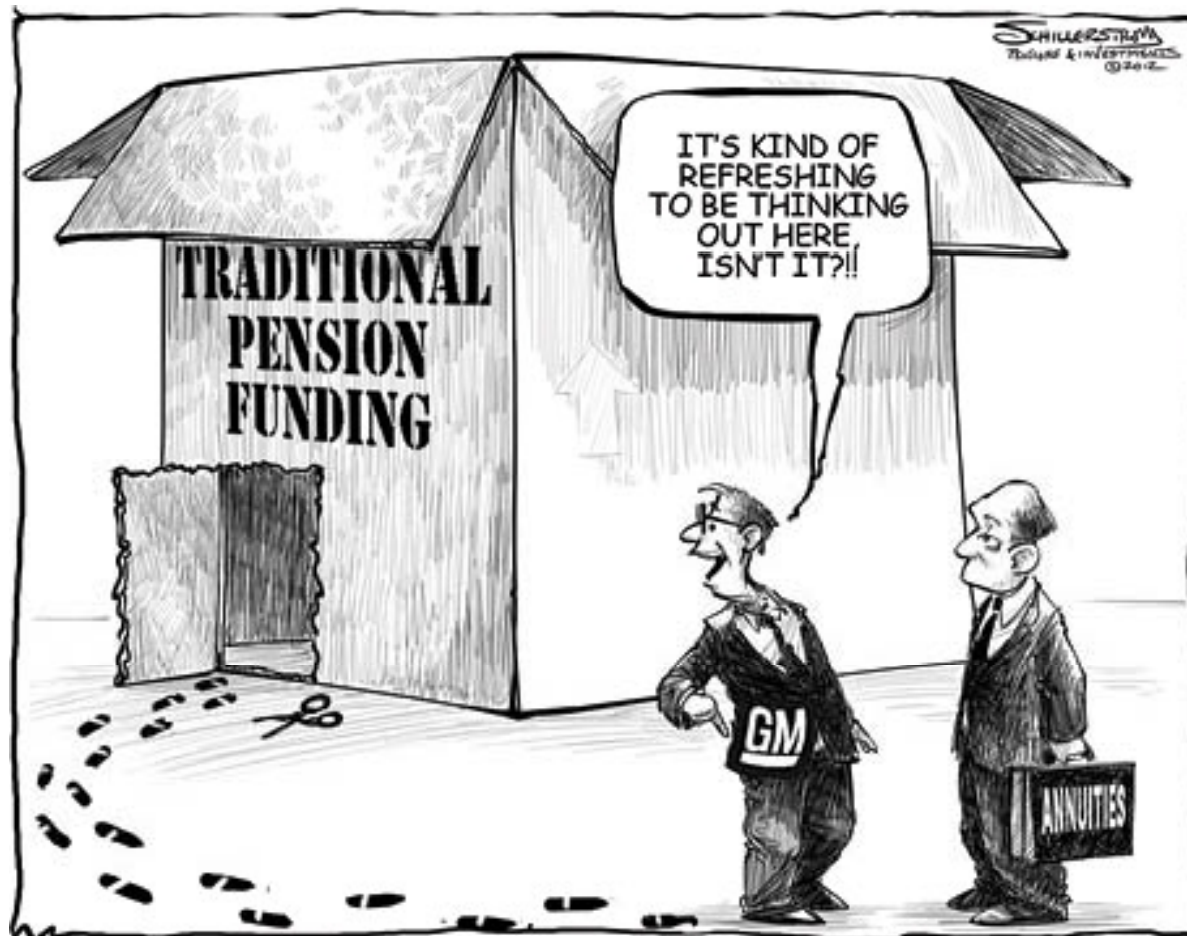
Current themes on retirement issues around the world



Employer pension arrangements continue to decline...



Sponsors are in need of new methods to deal with their pension deficits...



Adequacy of pensions a challenge ...



"If we take a late retirement and an early death, we'll just squeak by."

Updates on Retirement Benefits from a mature and emerging market

US

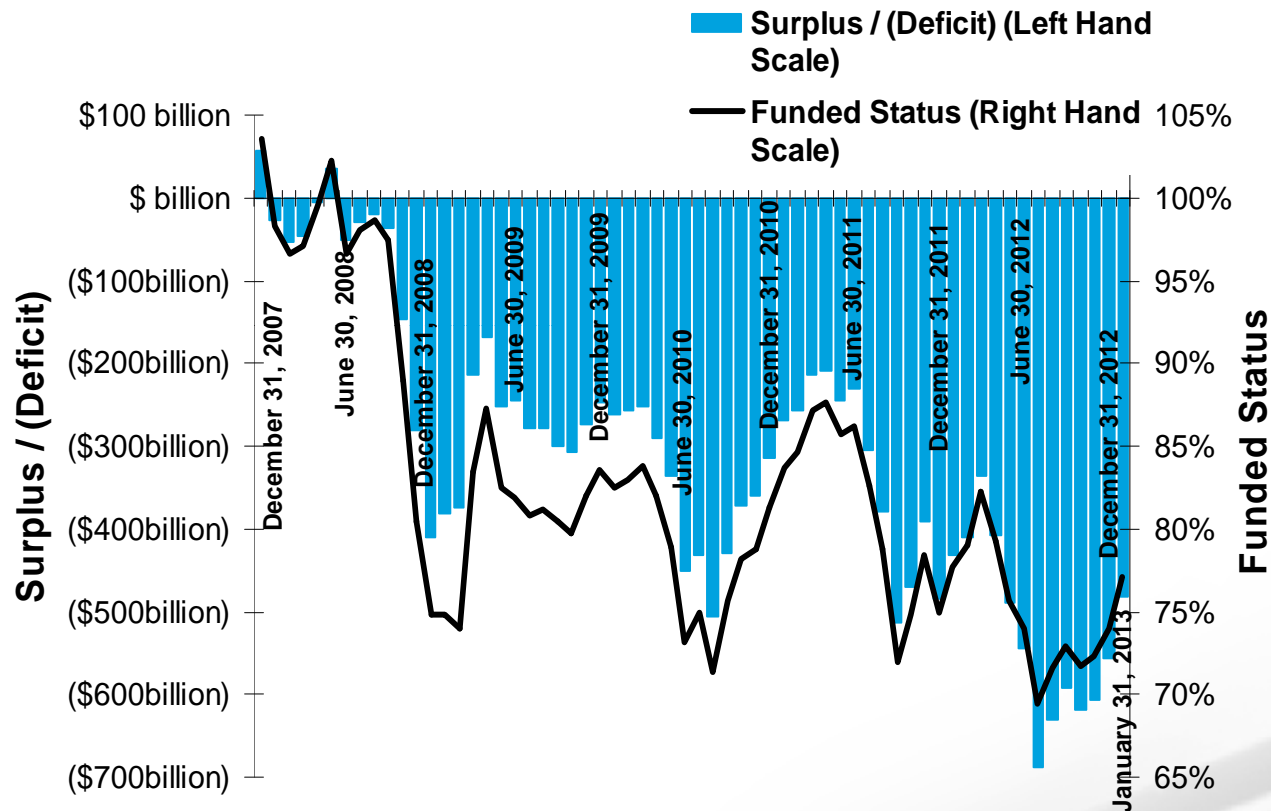


South Korea



S&P 1500 Funded Status and Deficit at Month End

Calculations Based on AA Discount and Market Value of Assets



- ❑ 77% funded status is up from 74% at the beginning of the year.
- ❑ \$482 billion deficit is down from \$557 billion at the beginning of the year.
- ❑ Equities returned 5.18% during January (based on S&P 500 total return index).
- ❑ 3.90% discount rate for a mature plan, which is up 19bp for the month. The average rate for this plan since 12/31/2000 is 5.77%.

Surplus/(Deficit) represents the estimated aggregate global pension assets of all companies in the S&P 1500 minus the estimated aggregate global Projected Benefit Obligation (PBO). Funded status represents the ratio of these two amounts.



MAP-21 Pension Provisions Summary

- Moving Ahead for Progress in the 21st Century Act (MAP-21), signed into law by President Obama on July 6, 2012, containing key reforms for pension plan sponsors
 - **Stabilizes segment discount rates for certain purposes**
 - Increases PBGC flat-rate and variable-rate premium requirements
 - Extends the ability to use excess pension plan assets for retiree medical and group-term life benefits



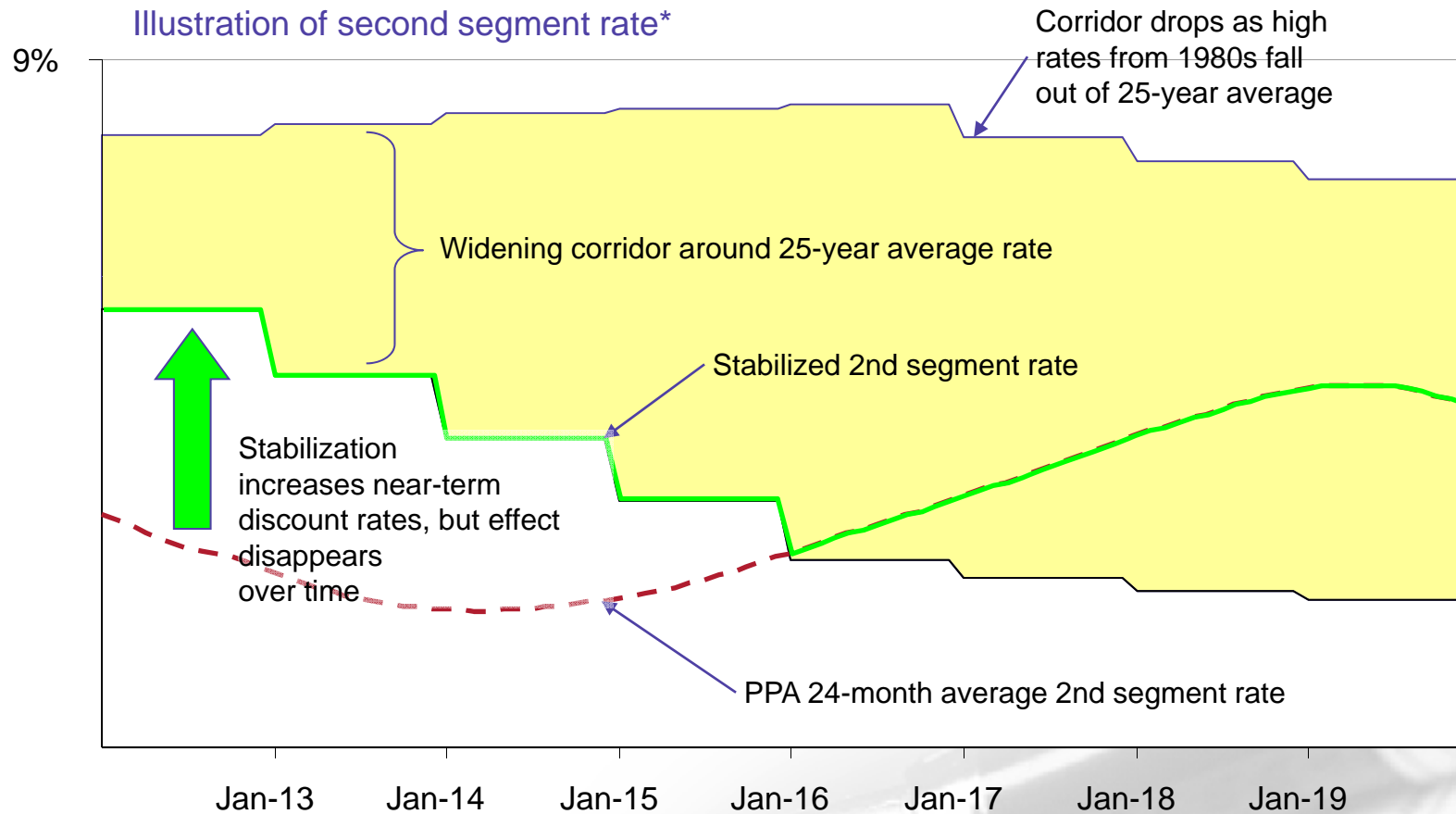
MAP-21 Pension Provisions

Stabilized Segment Rates

- Description of the stabilized segment rates
 - Retain 24-month averaging period for segment rates, but constrain each rate to within corridor of the 25-year average for that segment
 - 10% corridor in 2012, 15% in 2013, increasing 5% per year to 30% in 2016 and beyond
 - Plans can still elect full yield curve for month before valuation date
 - For example, plans with reduced risk investment strategy
- For 2012, sponsors have option to continue using the non-stabilized segment rates
- Stabilized segment rates decrease minimum funding requirements materially for the 2012 & 2013 plan years
 - Effect quickly fades thereafter due to widening corridor



MAP-21 Pension Provisions Stabilized Segment Rates



* Assumes monthly spot rates rise gradually from 2014 through 2017, then level off (24-month average segment rates lag monthly spot rates)

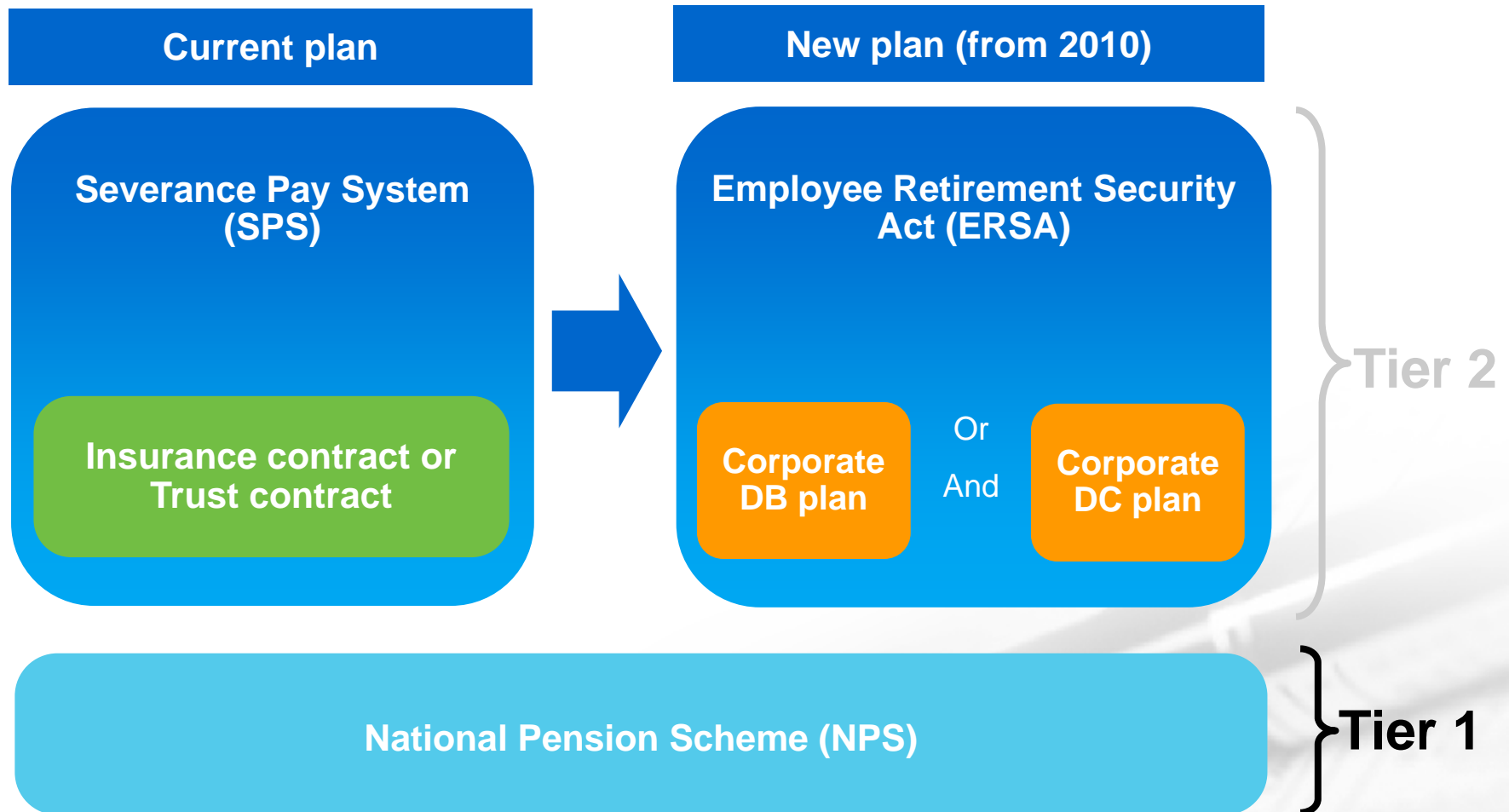


Summary of the GM and Ford Transactions

- GM
 - Offering lump sums to 42,000 US salaried retirees and beneficiaries
 - Spun off actives and terminated vested participants to new plan, and terminating remaining retiree liability
 - Purchasing a group annuity from Prudential to cover the remaining salaried retirees and those who do not elect lump-sums
 - Anticipates contributing \$3.5 billion to \$4.5 billion to fund the transaction, representing approximately 110% of the GAAP liability
 - Expected to reduce pension obligation by \$26 billion
 - This transaction is truly groundbreaking for the pension industry
 - First “jumbo” transaction
 - Separate account structure to increase participant security
- Ford
 - Offering lump sums to 90,000 US salaried retirees and former employees
 - Expected to reduce pension obligation by up to \$18 billion
 - No annuity purchase involved at this time



South Korea pension system



Pension landscape in South Korea

Major differences between SPS and ERSA

	SPS	ERSA
Permitted Plan Type	DB only	DB or DC
Funding Requirement	None	60% for DB 100% for DC
In-service Withdrawal	Permitted	Possible only for emergencies
Form of Payment	Lump sum only	Lump sum or annuity
Corp tax benefit on external funding after 2010	No	Yes



Pension landscape in South Korea

Plan choices after ERSA

Continue SPS

- Loses employer tax benefits
- Less security for employees

Adopt DB

- Minimum benefit: 8.3% final pay per year of service
- Can keep same benefit as SPS
- 60% of external funding test at year end
- Keeps employer tax benefit on contribution

Adopt DC

- Minimum contribution: 8.3% annual pay
- Transfer investment risk to employees
- Voluntary employee contribution permitted
- Keeps employer tax benefit on contribution



Market Trend

Adoption by Company Size

(# of companies)

	Under 10 employees	10~29 employees	30~99 employees	100~299 employees	300~499 employees	500 ~ employees	Total
① Number of companies adopted ERSA	99,724	43,461	17,800	4,695	773	1,007	167,460
② Number of total companies	1,273,047	178,396	54,720	10,969	1,425	1,293	1,519,850
Ratio (①/②)	7.8%	24.0%	32.5%	42.8%	54.2%	77.9%	11.0%

Source : Financial Supervisory Service (August, 2012)

Note: Duplicated contracts are excluded.



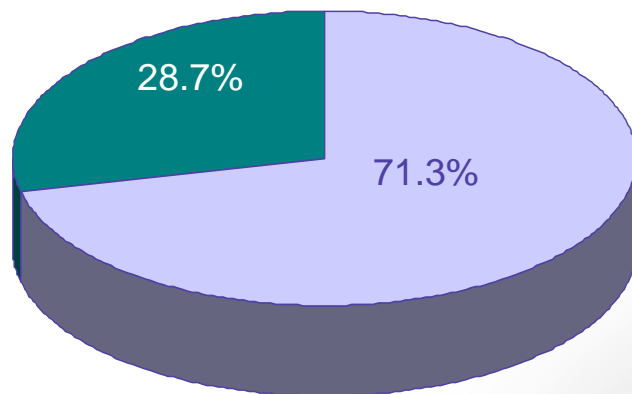
Market Trend

Adoption by Plan Types (number of plans)

	DB	DB & DC	DC	IRA	Total
Number of Plans	60,032	3,796	75,739	27,893	167,460
Ratio	35.8%	2.3%	45.2%	16.7%	100%

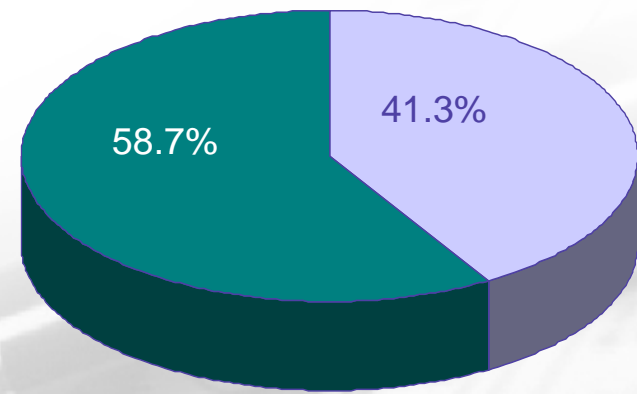
Source : Financial Supervisory Service (August, 2012)

Local Companies



□ DB ■ DC

Foreign Affiliated (FA)



□ DB ■ DC

Looking ahead ...



"The forecast is stormier, darker, and colder, for years and years to come... and now for the weather."