

2nd Workshop on employee benefits in Gurgaon in March 2015

Date: 13th March, 2015

Time: 08:30am to 05:00pm

Venue: The Plazzio Hotel, 292-296, Sector 29, City Center, Gurgaon 122001, Haryana, India; T:- +91-124-4915000

The following topics shall be deliberated in the 2nd workshop on employee benefits:

1. Public Sector Valuations: How can we move towards strengthening Pension Benefit Liability?

- It is widely acknowledged that there is a need for strengthening of provisions for defined Pension benefits by public sector enterprises. We as valuing actuaries have a role to play in ensuring the same.
- Public sector valuations have been discussed in recent actuarial seminars. In this session, we try to generate practical thoughts and ideas of strengthening the provisions carried by public sector enterprises in this respect and the steps that can be taken at profession's level (e.g. through GNs and / or APSs).
- Recent research study by IAI of Public Sector Banks reveals very high Pension and salary increase rate. We need to provide prescription to members through GNs.

2. Actuarial Practice Standard (APS) 26: What changes are required?

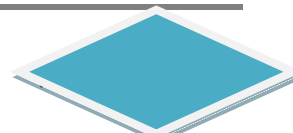
- APS 26 is the standard that governs the actuarial valuation of employee benefits. Given that there is considerable scope of variations and judgments in these valuations, it is often felt that there is need for widening the scope, coverage and guidance given by APS 26.
- In this session, we try to generate practical thoughts and ideas of the changes that can be made to APS 26 to ensure that adequate guidance is provided to actuaries and that valuation processes / governance is streamlined.

3. Ensuring consistency of actuarial valuations

- It has been observed that same employee benefits when valued by different actuaries result in different valuation results. In this session, we discuss some of the areas of divergence amongst actuaries and try to reach a conclusion on the best possible approach.
- The areas of discussion would include:
 - Limit on gratuity valuation – whether it should be applied? How it should be applied in determining Accrued & Projected liability?
 - Calculation on Current Service Cost in case of gratuity
 - Whether there is need to provide guidance in some of the above areas through GN to achieve consistency by different members.

4. Leave Valuations

- Leave valuations have been area of discussion and debate, even amongst actuaries. These discussions not only apply to valuation methodology but also to the underlying disclosure requirements.



- Differing understanding of various practitioners have led to different valuations and disclosures being provided for the same underlying benefit.
- This session shall focus on discussing areas of divergent views and try to reach consensus of the same particularly Service Cist. The key items to be discussed shall include treatment of leave availments, lapsations and encashments in service as well as disclosure requirements applying to leave benefit.

5. Provident Fund Valuation

- In case of exempt provident fund trusts, companies are required to offer the same interest rate as if declared by the government. This exposes the sponsoring enterprise to guarantee / interest rate risk and thus an actuarial valuation of guarantee is required.
- Various approaches are following by various actuaries in both determining the value of the guarantee as well as the disclosures. Also, questions have been raised on deterministic approach (most widely followed approach) enshrined in GN 29 on Valuation of Interest Rate Guarantees on Exempt Provident Funds (Ver.1.00/01 04 2011).
- In light of above, this session need to discuss the amendments required to GN29 to streamline the valuation approach of interest rate guarantee on exempt PF trust. Disclosure requirements for PF valuations shall also be discussed.
- In light of above, the session proposes to discuss the practical approaches that can be adopted to allow for longevity improvements until new mortality tables with study of mortality improvements is published.

