

# **Discussion on Salary Growth Rates**

**Khushwant Pahwa**

**Founder and Consulting Actuary**

**KPAC – KP Actuaries and Consultants**

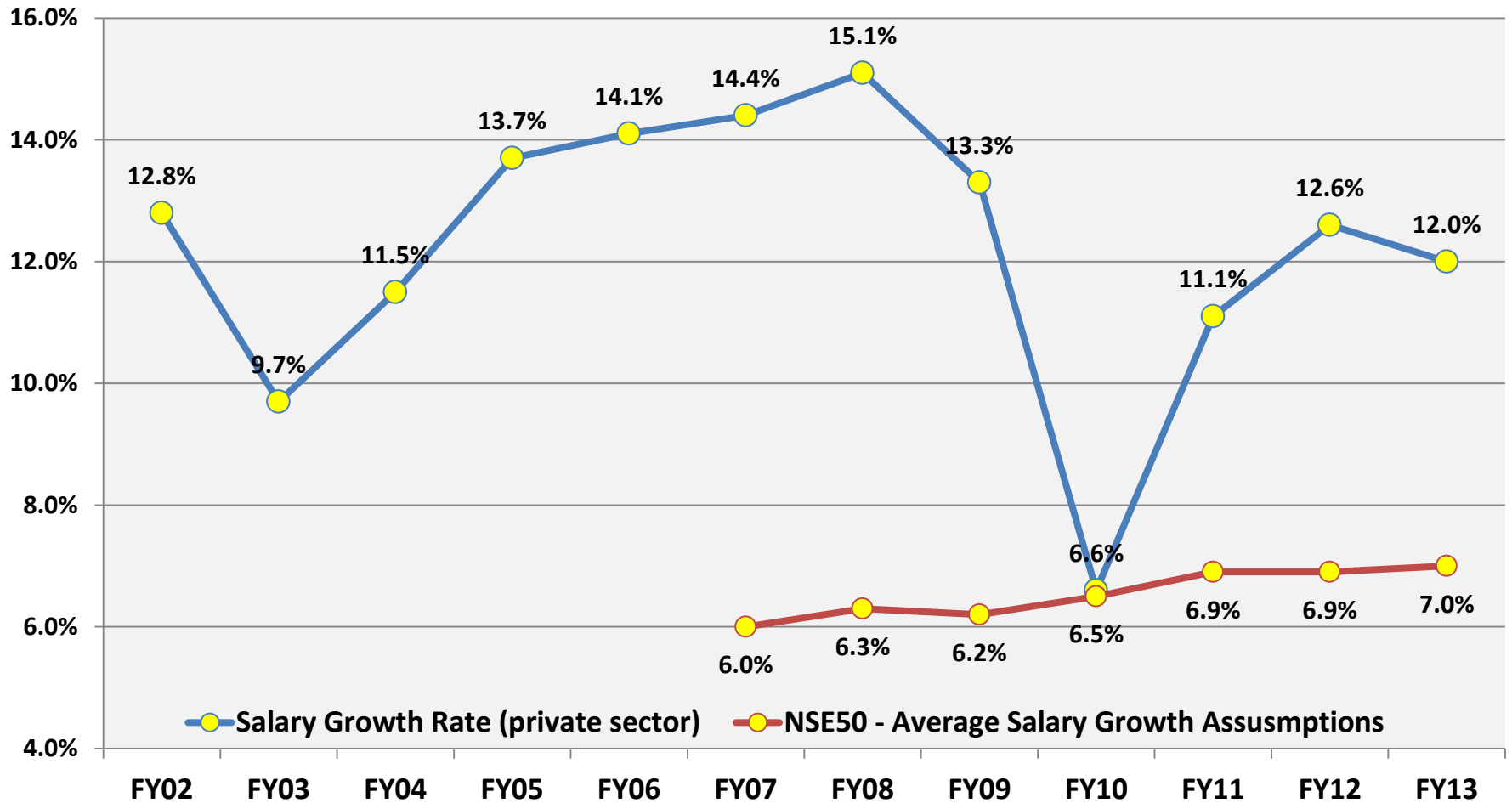
**Seminar on Current Issues in Retirement Benefits**

**Mumbai**

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# Actual experience vs Assumptions

## Salary growth rate – actual experience vs assumptions



# Components of salary growth rate

Merit Increase

- **Depends on HR policies** and can vary for various divisions and category of employees.

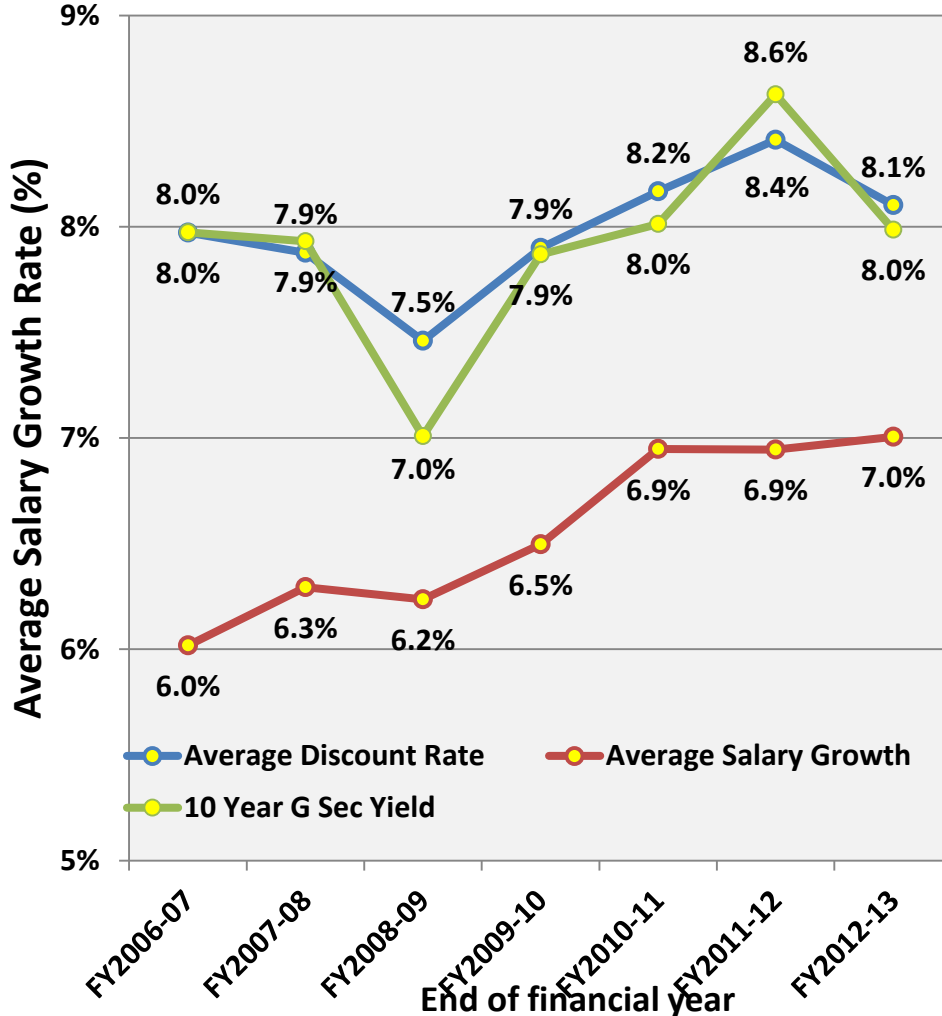
Productivity Increase

- Depends on **age of organization and industry**. Higher in initial years, stabilizes in later years.

Inflation Relief

- Highly **correlated to interest rates** (discount rate), particularly in long term
- Arguably, should be **about 75% of discount rate** to maintain positive real interest rate assumption over long term.
- Should result in **consistent movements in discount rates and salary growth rates**

NSE50: Salary Growth vs Discount Rate vs G Sec Yield

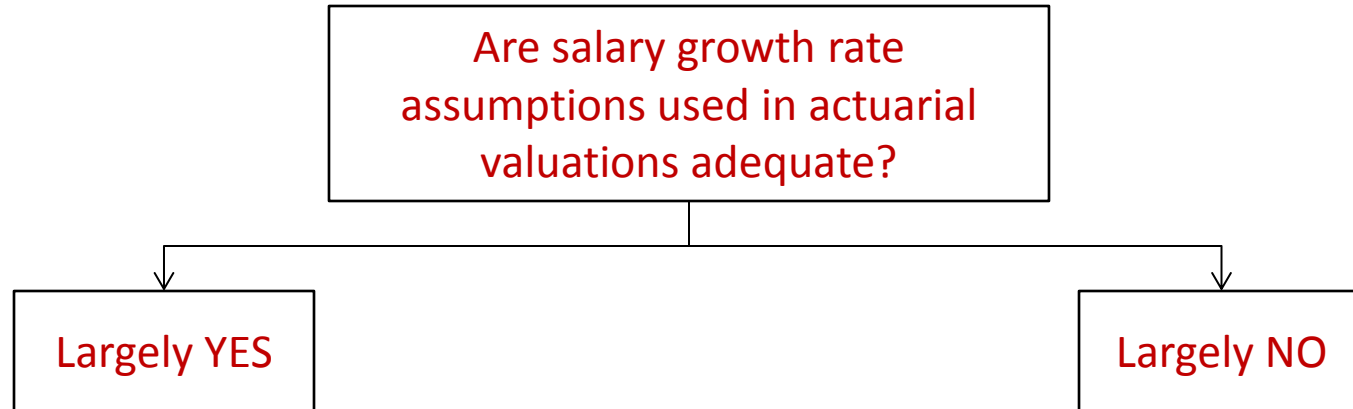


# Suggestions

- Continue doing such research – make a dashboard giving certain routine items which actuaries can refer to.
- Include comparison of actuals with assumptions.
- Include sectoral analysis e.g. Banks, IT, Pharma, etc
- Have clear guidance on role of actuaries in setting these assumptions – are we going to have a more active advice role?

***Any Questions?***

# Questions on Chart 1



What are the possible explanations?  
Long term?

**Why is it so?**

- Companies keeping it low?
- Because of lack of advice from actuaries?

**Is it our responsibility? Should we be worried?**

**What can we do?**

- Educating auditors?
- If long term argument is true – should we have salary growth rates varying by year of projection?