

HEARTY GREETINGS

TO



MISHRA DHATSU NIGAM LIMITED

LIC'S NEW GROUP SUPERANNUATION SCHEME

Why Superannuation Benefit

EMPLOYER:

- Support Employment Policies
- Attract and Retain key talented Employees
- Reduces Attrition Levels
- Provides Tax Efficient Benefits to Employees

EMPLOYEES:

- Fixed Income (Pension) on retirement – when all other income stops
- Insulated from market risks –both at the time contribution and pension
- Long Term Tax Efficient Savings - Tax Free Interest, 80 C, Contributions not treated as Income.
- Commuted Value, 10 Pension Options, Equitable TransfeRs etc.

Why New Group Superannuation Scheme

- **Compliance with Income Tax guidelines –**
Returns from participating policies are taxable
- **Compliance with IRDA New Product guidelines**
 - to provide non zero positive returns.
- **To explicitly account Service Tax and other Expenses.**
- **InsureRs to provide end to end solution –** fund management and providing pension.
- **Interest rates to reflect market yield**

Types of Pension

- **Defined Contribution Scheme :**

- Memberwise Account is maintained
- Contribution is made at pre determined rate (15% of basic)
- Contributions continue until the peRson retires/resigns/death.
- Pension is not know today. Depends on Corpus, Annuity rates then.

- **Defined Benefit Scheme :**

- Pension is fixed.
- Every year the Valuation is done and contributions determined.
- Mostly adopted in Govt./PSU environments.

Contribution and Benefit Details

• Contribution :

- Contribution can be made for Past Service.
- Employees can also contribute
- IT allows max. 27% including PF contribution.

• Benefits :

- Commutation ($1/3^{\text{rd}}$ or $1/2$)
- Immediate Pension on resignation/retirement.
- Deferred Pension from the date of Superannuation
- Transfer of Equitable Interest in case of change of employer.
- Additional Risk Cover through Group Superannuation Insurance.

Model Member Account

Policy Account value (OB+ Contr. received during the period)	MFR	AIR	RI	Policy Account Value (Total fund balance)	FMC	Service Tax on FMC	Policy Account Value (Closing Balance)

MFR - 0.5% p.a. throughout the term

AIR - Declared every qtr. And compounded every qtr.

RI - Additional Interest from the 5th Policy anniversary

FMC – Charged every qtr. based on the Fund Size varying from 0.1% to 0.5% p.a.

ST - Service tax based on the prevailing Service Tax Rules.

Maintenance of Account is on a Daily Balancing Method credited quarterly.

Other Charges

- **Exit Load** – Reduced to 0.05% of the balance maximum Rs. 5 lacs in the FiRst Three yeaRs only. NIL Exit charges from 4th year.
- **Market Value Adjustments** : Is applicable in case of exits and bulk withdrawals (> 25% of the fund value).

Pension Options

- Pension Payable for Life
- Pension with Return of Corpus
- Pension Guaranteed for 5/10/15/20 years
- Joint Life Pension with/without ROC.
- Joint Life with 50% Pension to spouse.
- Increasing Pension @3% p.a.

1. Pension is paid by NEFT/RTGS to the bank account
2. Members can opt for Mly/Qly/Hly and Yearly Modes
3. Pension Option once exercised cannot be revoked.

TAXATION

1	EMPLOYER'S ORDINARY ANNUAL CONTRIBUTION SHALL NOT EXCEED 27% OF SALARY LESS PF	RULE 87
2	EMPLOYER'S ORDINARY ANNUAL CONTRIBUTION AND INITIAL CONTRIBUTION IS ALLOWED AS DEDUCTION IN FULL IN COMPUTATION OF BUSINESS INCOME	SEC 36 (1) (IV)
3	EMPLOYER'S INITIAL AND ANNUAL CONTRIBUTION ARE NOT TREATED AS TAXABLE PERKS IN THE HANDS OF THE EMPLOYEES	17 (2) V
4	EMPLOYEE'S OWN CONTRIBUTION, IF ANY IS ELIGIBLE FOR TAX REBATE	SEC 80 C
5	PAYMENT ON DEATH : COMMUTATION, PENSION OR REFUND OF EMPLOYEES CONTRIBUTIONS ARE NOT TAXABLE	SEC 10 (13)
6	PENSION/ANNUITY IS TAXABLE	SEC 17 (1) (II)
7	INCOME OF FUND IS EXEMPT FROM TAX	SEC 10 (25) III
8	PENSION SHOULD BE PAID BY THE INSURER ONLY AND NOT BY THE TRUST	RULE 89
9	COMMUTATION SHALL NOT EXCEED 1/3RD OF THE ACCUMULATION IF GRATUITY IS PAYABLE OR ELSE IT IS 1/2	RULE 90

WHY LIC

Subject	LIC	REMARKS
Status of the company	FULLY OWNED BY GOVT. OF INDIA (Public Sector Organisation). The Largest Life Insurer nationally and internationally.	The security of the employee's statutory benefits is of utmost importance and therefore having the Guarantee of the Govt. of India is preferred
Asset Under Management (AUM)	More than Rs.15,80,000 Cr	Preferring a broad based AUM is better for stable returns. As also the return on investment is not concentrated on one or two large fund companies.
Total Retirement Funds under Management (upto Mar 2013)	Over Rs.2,20,000 CRs.	The size of the fund under management indicates the customer's preference on safety, liquidity and stable returns
Claim Settlement during 2011-12	97.03% as against 86.04% of the Pvt. InsureRs	The efficiency of an insurer is judged on the claim settlement ratio. LIC has an excellent track record of Claim settlement.
Returns on Retiral Fund management	Consistently High for 7 yeaRs between 9 to 9.66 %	Consistency of returns in an important factor the trustees look for over a period of time.

Example

For Age 60 Years, Corpus Rs.100000/-

Annuity Option	Life	Life + ROC	Joint Life	Jt.Life + ROC	Annuity Certain 15 Years	Jt.Life + 50 % pension to spouse
Mode of Annuity						
	RS	RS	RS	RS	RS	RS
Yearly	9540	7250	8190	7150	8970	8810
Half Yearly	4650	3535	4010	3500	4390	4310
Quarterly	2298	1748	1985	1733	2170	2130
Monthly	760	578	657	573	718	705

Thank You

