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Vile Parle (E) CPE Study Circle

Western India Regional Council of

The Institute of Chartered Accountants of India

Employee Benefits, AS 15

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Actuaries and Consultants

Version: March 2014

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Presentation Structure

1. **AS 15's applicability**
2. Classification of Employee Benefits under AS 15
3. Dense Trees of 'Post Employment Defined Benefit Plans'
4. Disclosures and Presentation in Financial Statements
5. Exempt Provident Funds – a new dimension
6. Funding Policy
7. Important Differences between AS 15 and Ind-AS 19
8. The 'Not So Obvious'

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Entity Classification for AS 15 (R)

Companies are classified at three levels:

Level I – companies which are not Small and Medium Enterprises

Level II – companies which are Small and Medium Enterprises with > 50 employees

Level III – companies which are Small and Medium Enterprises with ≤ 50 employees

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The following accounting standards apply to all of Level I, II and III enterprises in their entirety: AS 1, 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, **15**, 16, 22 and 26

Applicability of AS 15 (R)

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AS15 is applicable in its **entirety** to the following enterprises:

1. Equity or Debt securities are listed or are in the process of being listed
2. Carrying on Insurance business
3. Turnover > Rs50 cr
4. Borrowings > Rs10 cr at any instance during the year
5. Banks (incl co-operative banks)
6. Financial Institutions
7. Holding or subsidiary company of any of the above

Companies not falling within clauses 1 to 7 are classified as **Small and Medium Enterprises (SMEs).**

SMEs with employees above 50 need to apply the standard restrictively i.e. limited disclosures but value liabilities actuarially.

SMEs with employees below 50 may provide liabilities on an arithmetic basis i.e. apply standard restrictively with limited disclosure and also not have liabilities valued actuarially.

Applicability of Actuarial Valuation to

Post Employment Defined Benefit & Other Long-term Plans

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Classification of Companies Under AS 15 (R)

If Equity or Debt securities are listed or are in the process of being listed, or
In Insurance business, or
Turnover > than Rs 50 crores, or
Borrowings > than Rs 10 crores, or
Banks (incl. co-operative banks), or
Financial Institutions, or
Holding or subsidiary of any one of the above
Not a Small and Medium Sized Company (Non SMC)

Valuation by an Actuary with full disclosures of AS 15 (R)

If any of the criteria does not apply, then company will be a
Small and Medium Sized Company (SMC)

More than 50 employees

Valuation by an Actuary; limited disclosures

(AS 15 paras 50 to 123 i.e. detailed disclosures are not applicable to SMC)

Up to 50 employees

Company can provide on arithmetic/ discontinuance basis

Projected Unit Credit Method

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Need for an Actuary?

Paragraph 49 of AS 15 reads:

49. Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses. Moreover, the obligations are measured on a discounted basis because they may be settled many years after the employees render the related service. **While the Statement requires that it is the responsibility of the reporting enterprise to measure the obligations under the defined benefit plans, it is recognised that for doing so the enterprise would normally use the services of a qualified actuary.**

Using an actuary's services is not mandatory, but only recognised by AS 15.

Note that as per paragraph 74, the assumptions of salary increase, expected inflation and withdrawal are that of the employer (to be vetted by actuary and more about it later in actuarial guidance note). Hence an actuarial valuation is usually a joint effort of employer and actuary.

Qualified actuary is defined as a 'Fellow of the Institute of Actuaries of India' (APS 26 of the Institute of Actuaries of India)

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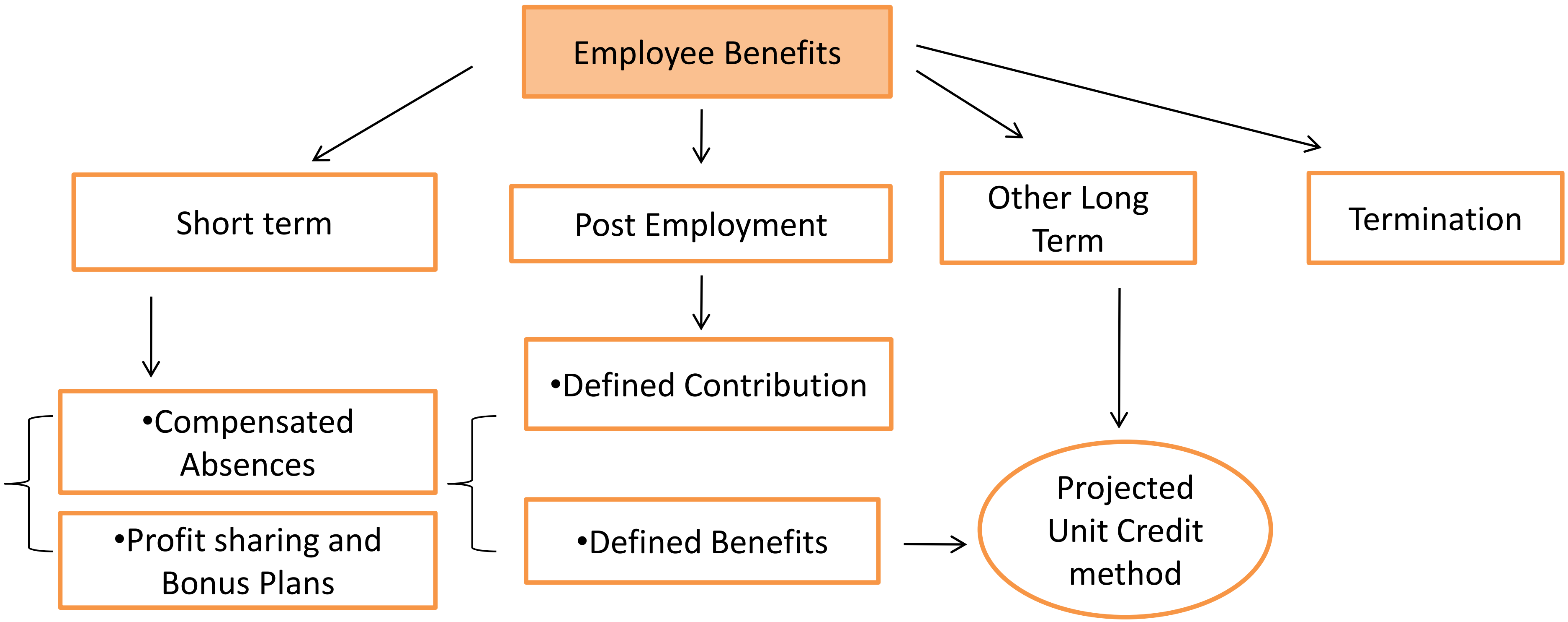
Employee Benefits under AS-15



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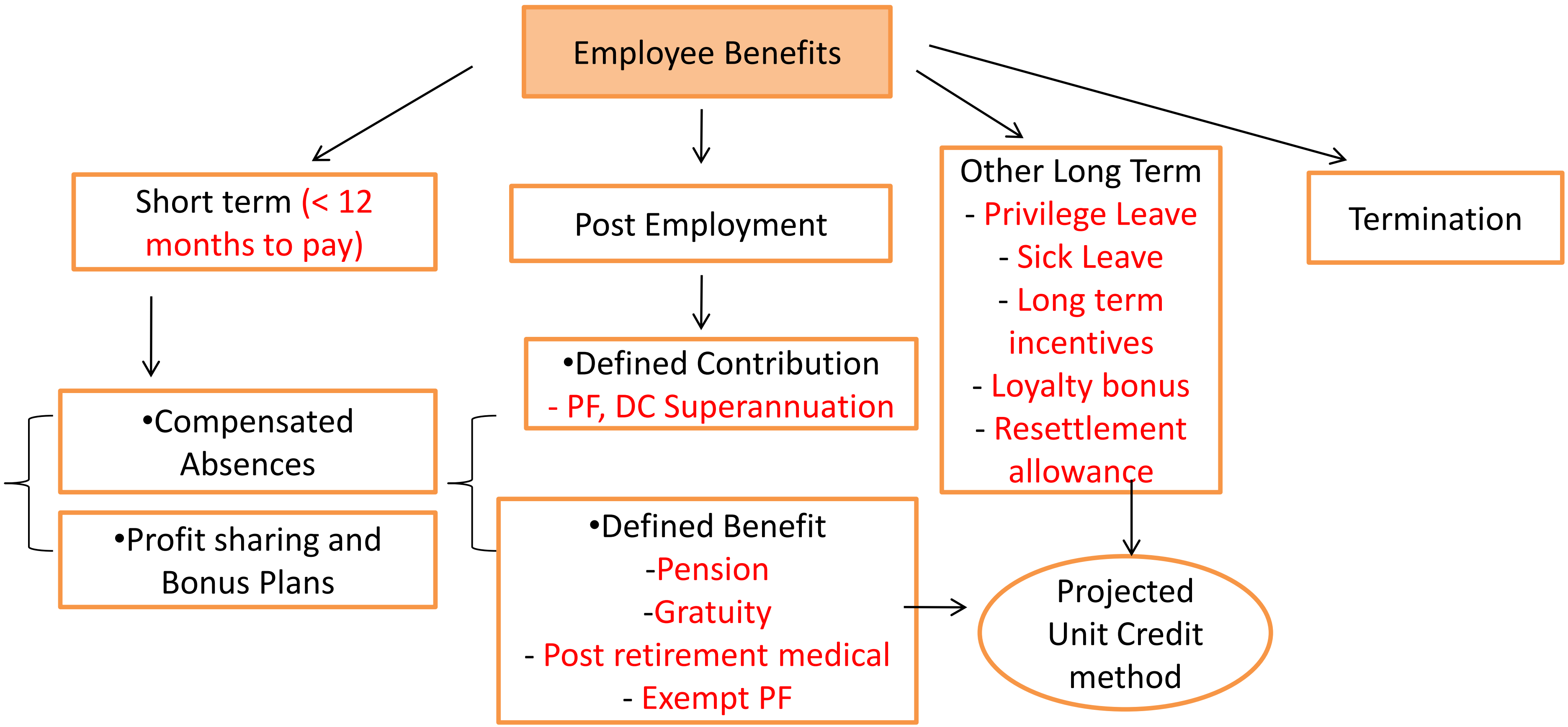
Employee Benefits under AS-15: heads



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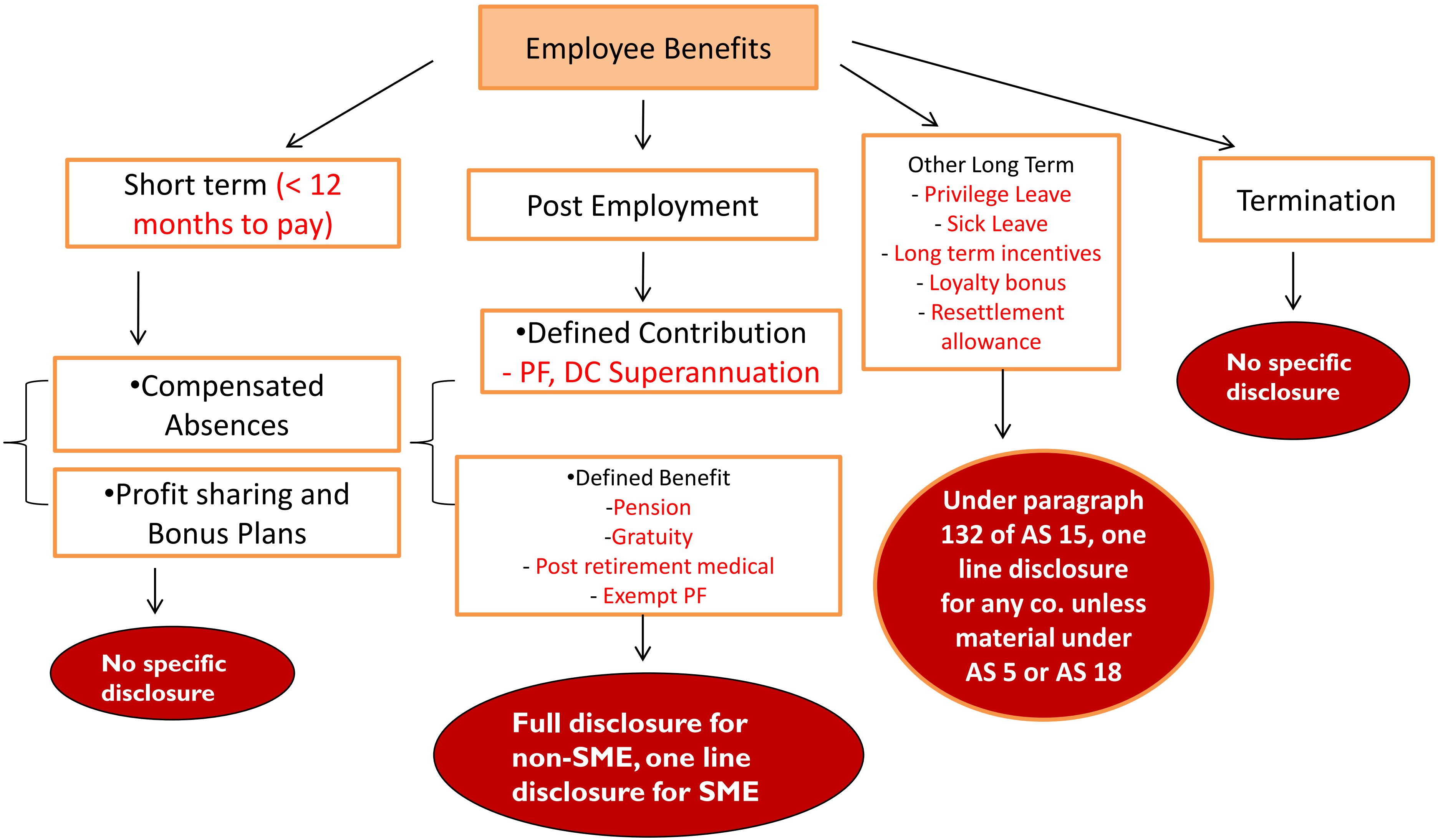
Employee Benefits under AS-15: Disclosure



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Short Term Employee Benefits

Definition:

Employee benefits which fall due wholly within 12 months after the end of the period in which the employee renders the related service

Recognition

- As a liability (accrued expense) after deducting any amount already paid
- As an expense

Disclosures

No specific disclosures, unless required by other accounting standards

Short term Benefits

•Compensated Absences

•Profit sharing and Bonus Plans

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Short Term Employee Benefits

Accumulating Compensated Absences e.g. privilege leave which can be accumulated for **1 year only**	When services rendered increase their entitlement to future compensated absences
Non-accumulating compensated absences e.g. maternity and paternity leave	When absences occur
Profit-sharing and bonus plans	When a present obligation to make such payment arises as a result of past events e.g. annual incentive, MD's commission.

Expected cost of **accumulating compensated absences -** additional amount that the enterprise expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date**.**

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Post Employment Benefits

Post Employment Benefits include:

•Retirement Benefits e.g. Gratuity and Pension

•Other Benefits e.g. Post employment medical care

They are classified as

Defined Contribution Plans	Defined Benefit Plans
1. Obligation is limited to the **amount contributed** to the fund 2. Risk (Actuarial and Investment) fall on the employee E.g. Superannuation, Provident Fund	1. Obligation is to provide **agreed benefits** to the employees 2. Risk (Actuarial and Investment) falls on the enterprise E.g. Pension, Gratuity, Post employment Medical Benefits, Exempt Provident fund

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Other Long-term Benefits

Other Long-term Benefits include:

a. Privilege Leave
b. Sick Leave
c. Long term incentives
d. Loyalty bonus
e. Resettlement allowance

ESOP/ ESPS are not 'Other Long-term Benefits' (separately covered under IFRS 2/ ICAI GN 18)

Other long term benefits need to be actuarially valued using the Projected Unit Credit method as shown in paragraph 65 (see paragraph 129)

129. The amount recognised as a liability for other long-term employee benefits should be the net total of the following amounts:

(a) the present value of the defined benefit obligation at the balance sheet date (see paragraph 65);
(b) minus the fair value at the balance sheet date of plan assets (if any) out of which the obligations are to be settled directly (see paragraphs 100-102).

In measuring the liability, an enterprise should apply paragraphs 49-91, excluding paragraphs 55 and 61.

Post Employment Benefits

Defined Contribution Plan: Recognition and disclosure

Contribution should be recognised

• as a liability (accrued expense), after deducting any contribution already paid

• as an expense

➢ **Disclosure**: Amount recognised as an expense should be disclosed

Other Long Term Benefits: Recognition/ Measurement/ Disclosure

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Other long-term employee benefits include

Privilege Leave, Sick Leave, Long term incentives , Loyalty bonus, Resettlement allowance

Key Difference
These benefits are 'defined benefits' but not 'post employment'. Elaborate disclosures for 'post employment defined benefits' only

Liability is **measured** as

PV of the Obligation

Less: Fair value of Assets at balance sheet date

Recognition----similar to Defined Benefit Plans i.e. all expenses through P&L (except unvested Past Service Cost which can be amortized over remaining vesting period)

Disclosure

No specific disclosures except when amount is material as per AS 5 or AS 18

Termination Benefits

An enterprise should **recognise** termination benefits as a liability and an expense when:

- the enterprise has a present obligation as a result of a past event
- it is probable that an outflow will be required to settle the obligation and
- a reliable estimate can be made of the obligation.

Termination benefits are employee benefits payable as a result of

Employer's decision to terminate an employee's employment

Employee's decision to accept voluntary redundancy in exchange for those benefits

Measurement

Benefits that fall due 12 months after B/S date should be discounted

Disclosure:

- When benefit is material enough
- When there is uncertainty about the number of employees who will opt for termination benefits, this contingent liability should be disclosed
- Where required by AS 18, disclose information about key management personnel.

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Example, VRS expenditure

Termination benefits including VRS expenditure to be immediately charged to P & L

Where termination benefits fall due more than 12 months after the balance sheet date, the benefits should be discounted using the discount rate (government bond yields of appropriate maturity)

This changed practices of Indian companies which amortized over 3-5 years period based on pay-back period

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Post-employment Benefits: Defined Benefit Plans

Net Defined Benefit Liability is equal to:

Defined Benefit Obligation (DBO) at the balance sheet date

Less: Any Past Service cost (PSC) not yet recognised

Less: Fair value of Plan Assets

Calculation of the DBO is the first step in Actuarial Valuation

DBO is the Present Value of the obligation of the company towards its employees for their services rendered over a period of time

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Actuarial Assumptions

Financial Assumptions

- Discount rate
- Salary increases
- Expected return on assets

Demographic Assumptions

Mortality

Turnover/ withdrawal

Disability

Assumptions should be **mutually compatible** e.g. inflation and salary increase rate

Discount rate should be determined by reference to market yields on government bonds (paragraph 78, AS 15). Weighted expected remaining lifetime of employees is calculated to track the **appropriate YTM, which becomes the discount rate**.

Actuarial assumptions are an enterprise's **best estimates** of the variables that will determine the ultimate cost of providing post-employment benefits (paragraph 74, AS 15)

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Actuarial Assumptions .. Contd.

Financial Assumptions	Demographic Assumptions
Discount rate	Mortality
Salary increases	Turnover/ withdrawal
Expected return on assets	Disability

Financial assumption of **salary increase rate** should be based on market expectations **at the balance sheet date** for the period over which the obligations are to be settled (paragraph 73, AS 15)

Expected return on plan assets is based on market expectations **at the start of period** (paragraph 108, AS 15)

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DBO Reconciliation between two valuation dates

a) Current Service cost
b) Interest Cost
c) Past Service cost
d) Settlement
e) (Curtailment)
f) Acquisition/ (Divestiture)
g) Transfer in/ (Transfer out)
h) Actuarial (gain)/losses

A re-measurement of DBO is needed to arrive at the components that contribute to the heads.

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Projected Unit Credit Method

An enterprise should use the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost **(paragraph 65, AS 15).**

The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/ years of service method) considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation **(paragraph 66, AS 15).**

Let us see an example

An example of y-o-y DBO

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Benefit is ½ month's salary for every yr served. Vesting period is 5 yr. Normal retirement age is 60 yr. Assumption of zero withdrawal or death.

Yr	Age	Yr served	Salary rise rate	Discount rate	Salary p.m.	Discontinuance liability	Actuarial liability
0	50 yr	5	10% pa	10% pa	100,000	250,000	250,000
1	51 yr	6	10% pa	10% pa	110,000	330,000	330,000

Assumption of yr 0 was continued in yr 1. Experience in yr 1 is as per assumption. In short, we had no deviation either in actual experience or assumptions.

No actuarial gain/ loss arises.

Reconciliation of DBO reads:

Opening DBO	**250,000**
Service cost (110,000 x ½)	55,000
Interest cost (250,000 x 10%)	25,000
Closing DBO	**330,000**

A modified example of y-o-y DBO

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Benefit is ½ month's salary for every yr served. Vesting period is 5 yr. Normal retirement age is 60 yr. Assumption of zero withdrawal or death.

250000 x (1.1/1.11)^10

Yr	Age	Yr served	Salary rise rate	Discount rate	Salary p.m.	Discontinuance liability	Actuarial liability
0	50 yr	5	10% pa	11% pa	100,000	250,000	228,370
1	51 yr	6	10% pa	9% pa	110,000	330,000	357,970

330000 x (1.1/ 1.09)^9

Assumption of yr 0 was changed in yr 1.

Experience in yr 1 is as per assumption.

In short, we had a deviation only due to change of assumption.

Actuarial gain/ loss arises.

Reconciliation of DBO reads:

Opening DBO	**228,370**
Service cost (110,000 x ½ x 1.1 ÷1.09)	55,500
Interest cost (228,370 x 11%)	25,121
Actuarial loss	48,979
Closing DBO	**357,970**

Past Service Cost (PSC)

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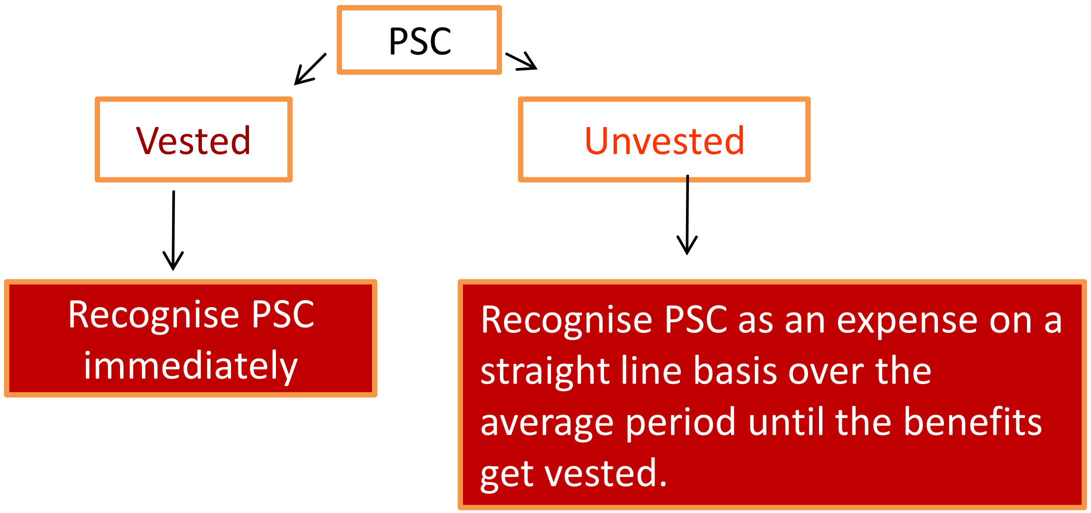
Past service cost is the change in the DBO for employee service in prior periods as a result of benefit change e.g. increase in gratuity ceiling, increase in pension benefit factor



Past service cost (P&L)	Dr. xxx
To DBO	Cr. xxx

In this case, the Past Service cost that arose was fully vested. So it was recognised immediately in P&L and it also contributed to an increase in DBO.

Past Service Cost- An Example

Benefits offered	2% of Final Salary
Vesting Period	5 years

On March 31 2013 the enterprise improves the pension to 2.5% of final salary for each year of service starting from March 31 2005

At the date of the improvement, the present value of the additional benefits is:

Employees with **more than** 5 years' service at March 31 2010 Rs. 150
Employees with **less than** 5 years' service at March 31 2010 Rs. 120
(average period until vesting: 3 years)

The enterprise recognises Rs. 150 immediately because those benefits are already vested.
The enterprise recognises Rs. 120 on a straight-line basis over three years from March 31 2013.

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Curtailments/Settlements

- **Curtailment** refers to a reduction in the obligation of the enterprise e g. Enterprise might be required to reduce the number of employees covered by the plan.

- **Settlement** occurs when an enterprise enters into a transaction that eliminates all further obligations for part or all of the benefits provided under a defined benefit plan.

RECOGNISE COST/ INCOME IMMEDIATELY

paragraphs 110 and 111 of AS 15)

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Cost and Income in Curtailments/Settlements

- In a **Curtailment**, an income is likely to arise say, number of employees reduce or a DB is converted to DC with attendant reduced benefits

- In a **Settlement**, a cost/ (income) will arise if the net discount rate {discount rate minus salary escalation rate} is positive/ (negative)

Under IAS 19 as well as FAS 88 of US GAAP, curtailment and settlement cost has to be immediately recognised

Prior service costs and actuarial gain/ loss can be taken to OCI (IAS 19/ IFRS) or applied a corridor approach (US GAAP), but no such deferment is available on curtailments/ settlements

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Settlement Cost

Actuarial Gains and Losses

Actuarial gains and losses (paragraph 93) may result from increases or decreases in either the present value of a defined benefit obligation or the fair value of plan assets.

Causes are:

(a) unexpectedly high or low rates of employee turnover, early retirement or mortality or of increases in salaries, benefits or medical costs;

(b) the effect of changes in estimates of future employee turnover, early retirement or mortality or of increases in salaries, benefits or medical costs;

(c) the effect of changes in the discount rate; and

(d) differences between the actual return on plan assets and the expected return on plan assets (see paragraphs 107-109).

Actuarial Loss/Gain: Liability

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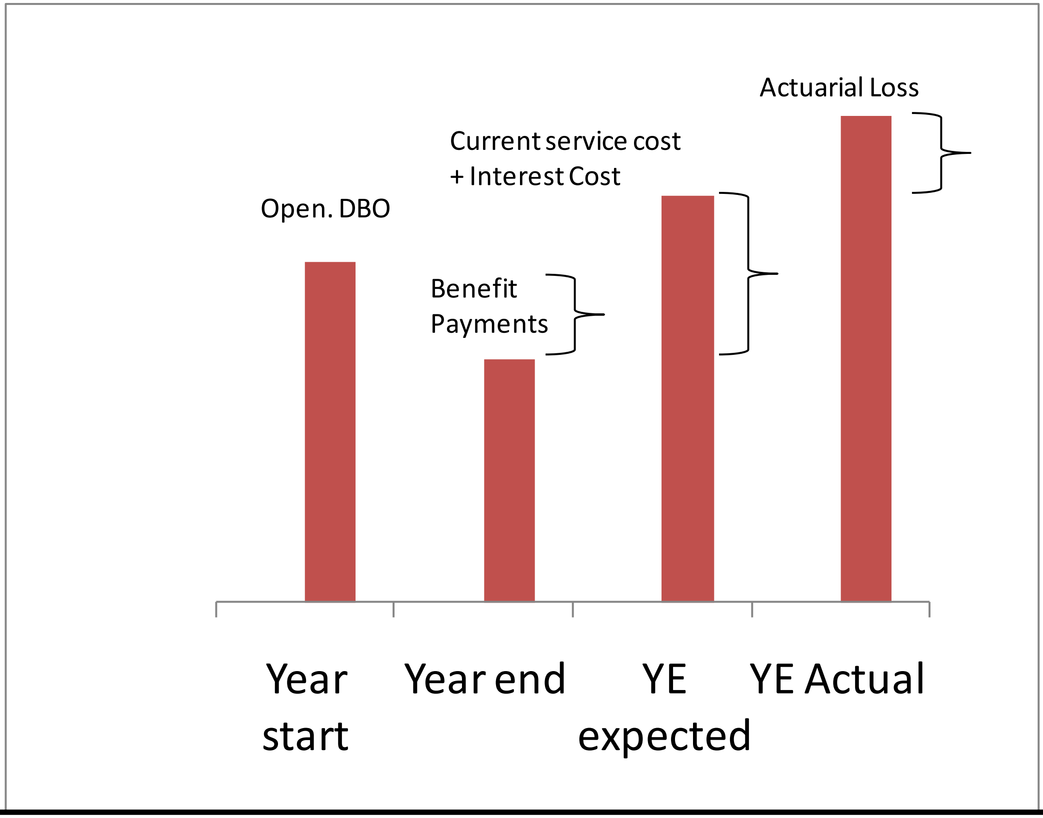

Actuarial Loss/(Gain)=Closing DBO+ Benefit Payments-(Open. DBO+ Interest Cost + Current Service cost)

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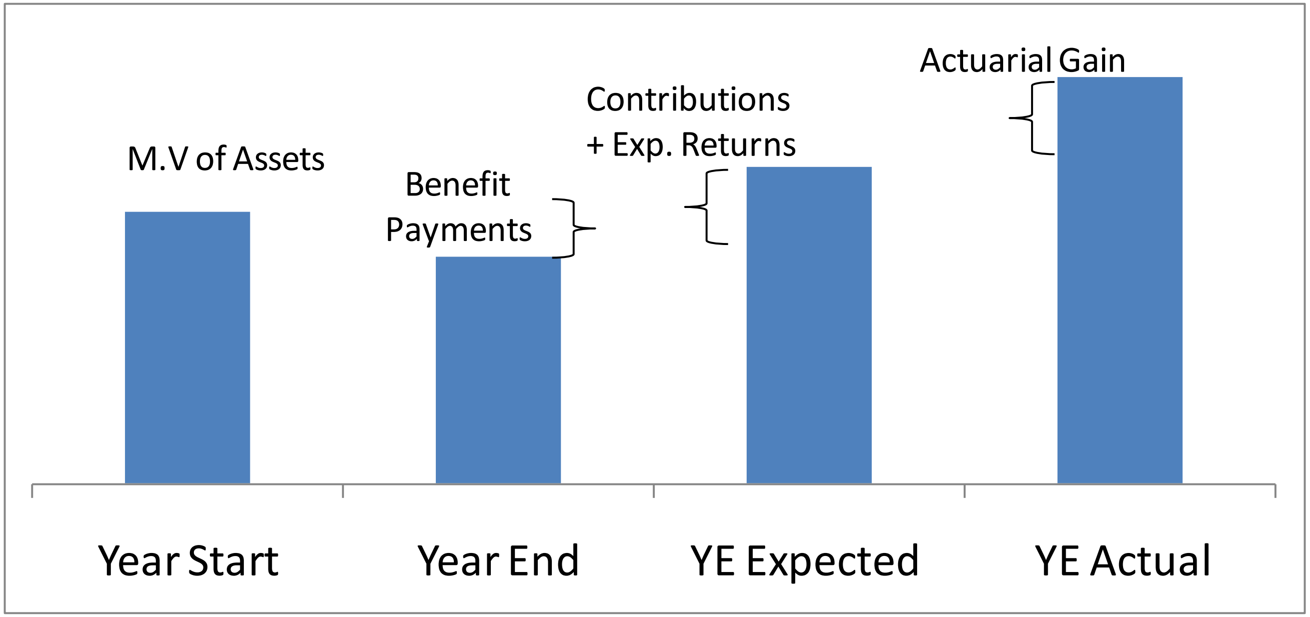
Actuarial Gain/Loss: Assets



Actuarial Gain on Assets= Actual market value of assets-Expected value

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Actuarial Guidance Notes

For purposes of AS 15, the Institute of Actuaries of India has issued the following Actuarial Practice Standards (APS)

APS 26: Actuarial Reports under ICAI's AS 15 (R)

APS 28: Other Employee Benefits

APS 29: Valuation of Interest rate guarantees of exempt provident funds

http://www.actuariesindia.org/subMenu.aspx?id=43&val=Actuarial_Practice_Standards

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Reading the Disclosures

DBO	Year ended Dec 2013
Present Value of DBO at start of period	**100**
Current Service Cost	20
Past Service Cost	10
Interest Cost	8
Benefits Paid	(25)
Actuarial Loss/(Gain)	(8)
Present Value of DBO at end of period	**105**

Fair Value of Assets	Year ended Dec 2013
Fair Value at start of period	**80**
Contributions By Employer	40
Benefits Paid	(25)
Expected Return on Plan Assets	10
Actuarial (Loss)/Gain	(2)
Fair Value at end of period	**103**

Employer Expense	Year ended Dec 2013
Current Service Cost	20
Interest Cost	8
Past Service Cost	10
Expected Return on Plan Assets	(10)
Actuarial Loss/(Gain)	(6)
Employer Expense	**22**

Movement	Year ended Dec 2013
Opening Net Liability (100 – 80)	**20**
Add: Employer Expense	**22**
Less: Employer Contribution	**(40)**
Closing Net Liability (105 -103)	**2**

Reading the Disclosures

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DBO	Year ended Dec 2013
Present Value of DBO at start of period	**100**
Current Service Cost	20
Past Service Cost	10
Interest Cost	8
Benefits Paid	(25)
Actuarial Loss/(Gain)	(8)
Present Value of DBO at end of period	**105**

Fair Value of Assets	Year ended Dec 2013
Fair Value at start of period	**80**
Contributions By Employer	40
Benefits Paid	(25)
Expected Return on Plan Assets	10
Actuarial (Loss)/Gain	(2)
Fair Value at end of period	**103**

Employer Expense	Year ended Dec 2013
Current Service Cost	20
Interest Cost	8
Past Service Cost	10
Expected Return on Plan Assets	(10)
Actuarial Loss/(Gain)	(6)
Employer Expense	**22**

Movement	Year ended Dec 2013
Opening Net Liability (100 – 80)	**20**
Add: Employer Expense	**22**
Less: Employer Contribution	**(40)**
Closing Net Liability (105 -103)	**2**

Disclosures for Defined Benefit Pension Plans

Companies which need full disclosure

1. Enterprise's accounting policy for actuarial gains/ losses
2. General description of the type of plan
3. Reconciliation of opening and closing balance of Present value of Defined Benefit obligation(DBO) and of fair value of plan assets
4. Expense recognized in P&L with break-down
5. Percent of each major category that contributes to total plan assets
6. Amounts included in the fair value of plan assets for enterprises own financial instruments and other assets used by the enterprise
7. A narrative description of the basis used to determine the overall expected rate of return on assets
8. Actual return on plan assets
9. Principal Actuarial Assumptions like Salary Escalation, Discount rate, Expected Rate of return, etc
10. Employer's best estimate of contributions to be paid during the following year
11. Effect of + or – 1% in medical cost trends on current service cost, interest cost, components of employer expense and DBO
12. Experience losses or gains a.k.a. experience adjustments

Disclosures for Defined Benefit Pension Plans

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For companies classified as Small & Medium Enterprises

Disclosure of principal actuarial assumptions like:

Discount Rate, Expected Rate of Return on any Plan Assets/, Medical cost trend rates etc (any other material actuarial assumptions used)

Disclosure for Short-term Provisions

As per MCA Notification SO 447(E) dated 28 Feb 2011, general instructions to prepare Balance Sheet state, short term provisions for Employee Benefits for Schedule VI need to be disclosed.

A)Unfunded Plans

→ **Expected Present Value (EPV) of 1 year DBO**

A)Funded Plans

– → **Max [EPV of 1 year DBO *less* Fair Value of Trust Assets, 0]**

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Short-term Provision: where to disclose?

Reconciliation of Defined Benefit Obligation (DBO)

	2012
Present value of DBO at start of year	
Current service cost	
Interest cost	X
Actuarial loss/(gain)	
Present value of DBO at end of the period	
Of which, Short term DBO at end of the period	??

Net Liability/ (Asset) recognised in the Balance Sheet

	2012
Present Value of DBO	
Fair Value of Plan Assets	
Net Liability/ (Asset)	√
Less: Unrecognised Past service cost	
Liability/ (Asset) recognised in the Balance Sheet	
Of which, Short term Liability	??

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5 year v 2 year disclosures

All disclosures are needed for 2 years as per Schedule VI *(and not restricted to employee benefits only!)*	Example: Movement in Defined Benefit Obligation, Employer Expense, Movement in Assets, Asset Classification, Actuarial Assumptions
Exceptions to the 2 years' disclosure exist.	
Experience Adjustments and Funded Status	The longer period disclosure aims to provide insights to the reader on 1) What contributes to the Actuarial Gains/ Losses i.e. Experience adjustments or Assumptions Change? 2) What is the medium-term funding policy of the Company as seen from the past?

Q. Should trends on experience adjustments feed into current assumptions?

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Exempt Provident Funds – Defined Benefit Pension Plans

ICAI ASB has provided a guidance that an 'in-house' or 'exempt' provident fund should credit a yield at least equal to or better than that declared by the EPFO.

This creates an obligation on the part of the trustees and in turn the sponsoring employer to provide for the shortfall in yield i.e. between the yield to be declared and that achieved.

The present value of such guarantee is the liability to be provided by the sponsoring employer.

Exempt Provident Funds – Defined Benefit Pension Plans … contd.

Guidance to actuaries follows the Institute of Actuaries of India's APS 29

The present value of such guarantee can be calculated on a deterministic or a stochastic basis.

So a need to understand emerging liabilities from trends in future interest rates vis-à-vis underlying assets of the provident fund.

The guarantee is the equivalent of an 'Interest Rate Floor' and can be calculated using Black's model.

AS 15 is a 'fair value' standard, so assets to be measured on MTM basis.

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Funding DB Schemes

- Actual return on plan assets and Liability calculation BOTH impact employer expense
- In principle, employers will seek to match emerging liabilities with asset performance
- Liabilities are inherently REAL in nature. Example, salary escalation depends on inflation as well as economic growth
- Assets should hence be REAL in nature and match DURATION of liabilities
- Broad level ALM is essential to manage the DB obligation
- Tax benefits are in favor of employee benefit schemes, so a funding option is usually better. It leads to tax-free returns flowing to an employer's balance sheet

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Excess funding of DB Schemes

Under paragraph 59 of AS 15, if 'DBO minus Unrecognized Past Service Cost minus Fair Value of Plan Assets' is negative, a ceiling on recognition of surplus/ net assets is employed.

Over-funding!

Any pitfall?

Recognition of net assets to be restricted to 'Present Value of Economic Benefits from the assets'.

Example, if assets are not likely to be 'realized' for the plan (future cost will be outweighed by 'net assets')

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Important Differences between AS 15 and Ind-AS 19

	AS15	Ind- AS 19
Recognition of Actuarial Gains and Losses (re-measurement)	Under Profit & Loss account	Under Other Comprehensive Income (OCI) which can be transferred to equity in the balance sheet
Definition of one of the **Limit of Asset Ceiling**	Is the PV of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan	Is the **TOTAL** of: i. any cumulative unrecognised past service cost and ii. As described in AS 15
Other re-measurements	Effect of change of asset ceiling and return on plan assets (excluding amounts included in net interest) are recognised under the Profit & Loss account	Effect of change of asset ceiling and return on plan assets (excluding amounts included in net interest) are recognised under OCI

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Important Differences between AS 15 and Ind-AS 19...contd.

	AS15	Ind- AS 19
Calculation of Interest cost (IC) affecting employers expense. e.g.. DBO= 10000 FVA= 8000 Disc. Rate= 6 % EROA= 7.5 %	Interest cost is obtained by multiplying the DBO by the discount rate both as determined by the start of the annual reporting year IC & EROA are calculated separately to obtain employers expense. IC = 6% * 10000 = 600 EROA= 7.5% * 8000 = (600) Net expense/(**income**) = Nil	Net interest cost is calculated by multiplying the net defined benefit liability/ asset by the discount rate both as determined by the start of the annual reporting year Net defined benefit liability/ asset =8000-10000 Deficit=2000 Net interest cost = 6% * 2000 Net **expense** = 120 (here, employer expense increases)

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Important Differences between AS 15 and Ind-AS 19...contd.

	AS15	Ind- AS 19
Asset Liability Matching Strategies	Not required	Description of such strategies, use of annuities and techniques like longevity swaps to manage risks.
Sensitivity Analysis of Significant Actuarial Assumptions	Not required	i. Sensitivity analysis showing effect on DBO of each significant assumption. ii. A narrative description of the methods, assumptions and limitations of the above. iii. Changes from previous period in the methods/assumptions to calculate sensitivity.
Information of Future Cash Flows	Not required	i. Description of funding arrangements and policy that affect future contributions ii. Maturity profile of DBO

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Presentation Structure

1. AS 15’s applicability
2. Classification of Employee Benefits under AS 15
3. Dense Trees of ‘Post Employment Defined Benefit Plans’
4. Disclosures and Presentation in Financial Statements
5. Exempt Provident Funds – a new dimension
6. Funding Policy
7. Important Differences between AS 15 and Ind-AS 19
8. **The ‘Not So Obvious’**

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The ‘Not So Obvious’

1. In post employment DBO plans like gratuity and pension, liabilities arising for employee transfers in/ acquisition or being ceded due to employee transfers out/ divestiture would reflect in DBO reconciliation

2. Direct payments by employers and part settlements from the funds are ‘benefits paid.’ Provide right information to actuary.

3. Expenses of the fund (e.g. life insurance premiums, administration charges) are ‘employer expense.’

4. Income of the fund apart from investment return (e.g. bonus units) are ‘reduction of employer expense.’

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The 'Not So Obvious' … contd.

5. Pension scheme valuation – is DBO correctly defined and modeled?
   - Joint life annuities
   - Inflation assumption for index-linked annuities
   - Effect of a hedging strategy e.g. fixed to floating swap

6. Post employment medical benefits
   - Calculating the burn i.e. annual medical cost
   - Medical inflation, usually higher than pension indexation
   - Is enough experience and trend of the scheme considered

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The ‘Not So Obvious’ ... Contd.

7. How different is annuitant mortality assumption than in-service mortality assumption?

8. Assumption setting, particularly for salary escalation and withdrawal – need to understand how experience gains and losses feed into assumption setting

9. Large actuarial gains and losses, say beyond 10% of DBO

10. Do actuarial gains/ (losses) of assets set off actuarial (gains)/ losses of DBO. In that case, does duration of assets and liabilities match and hence an ALM even if restrictive is in place?

Questions??

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