

**Providing an equitable opportunity
to
Organized Sector workers to maximize their retirement
savings**

**9th Annual IIEF Pension Policy Conference
New Delhi
Nov 9, 2009**

Background

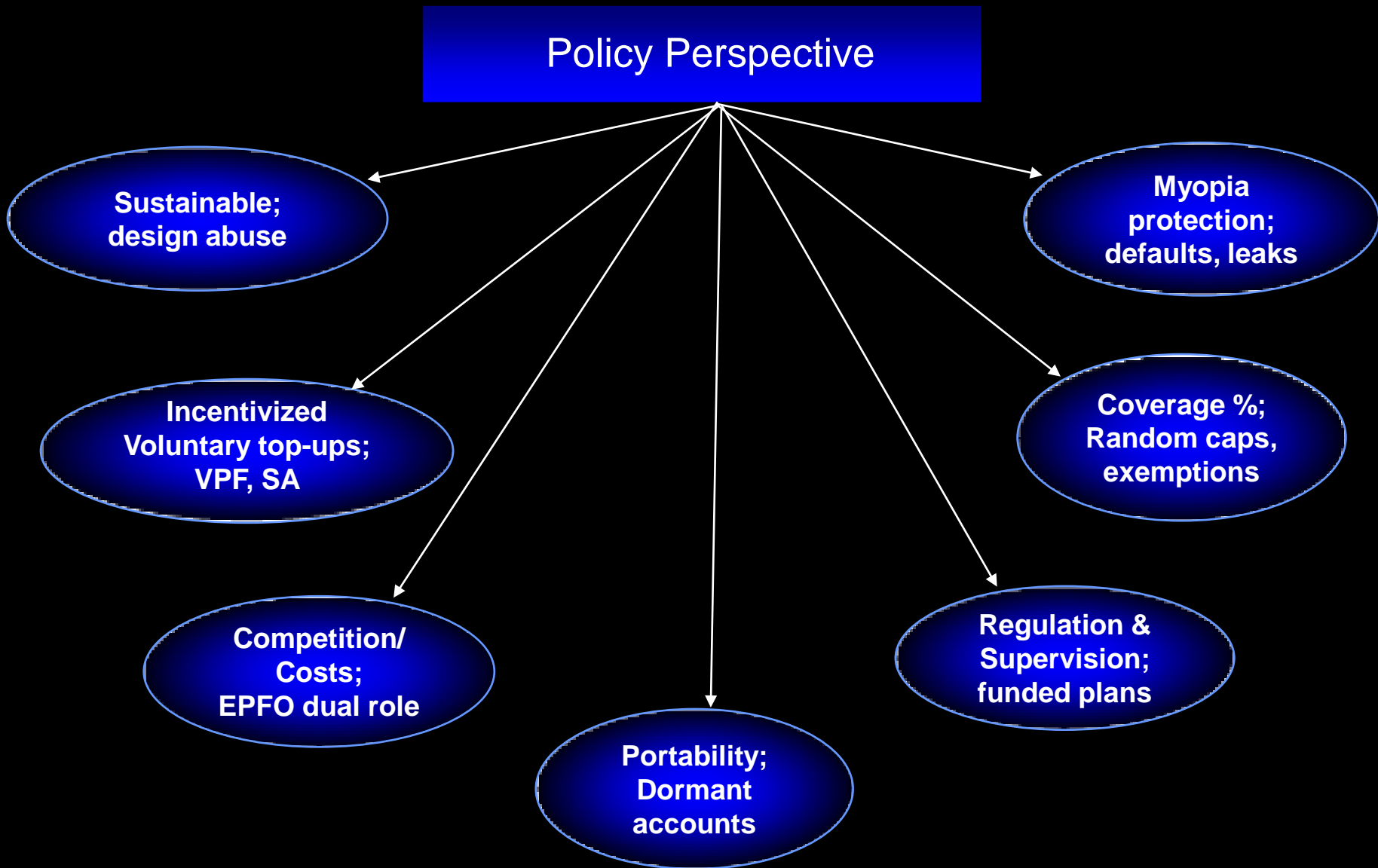
- MANDATORY

– Provident Fund	15.67% of salary
– EPS	8.33% of salary
– EDLI	0.55% of salary
– Gratuity	4.16% of salary
– EPFO Costs	4.58% of contribution

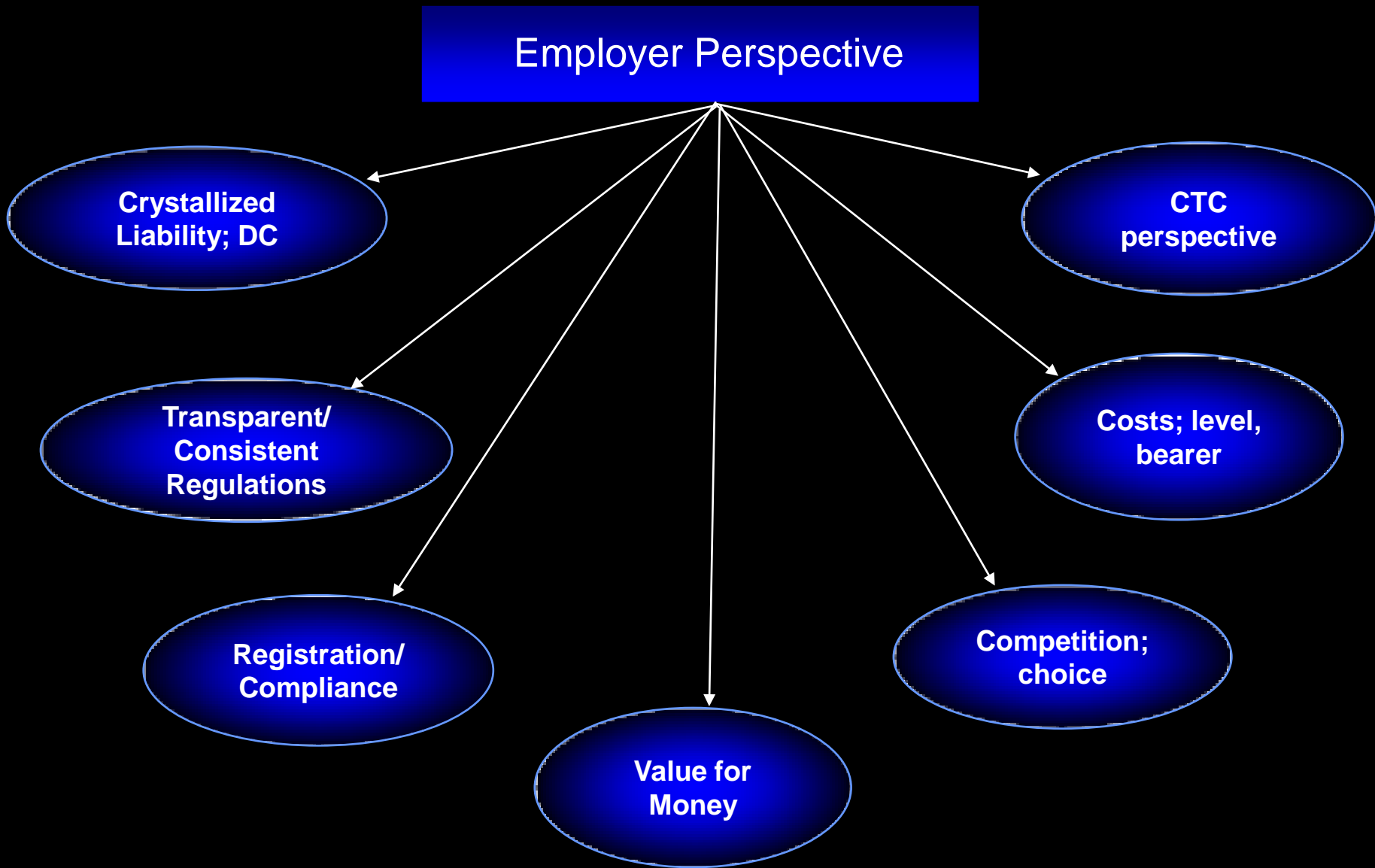
- VOLUNTARY

– Voluntary Provident Fund	
– Superannuation	15% of salary

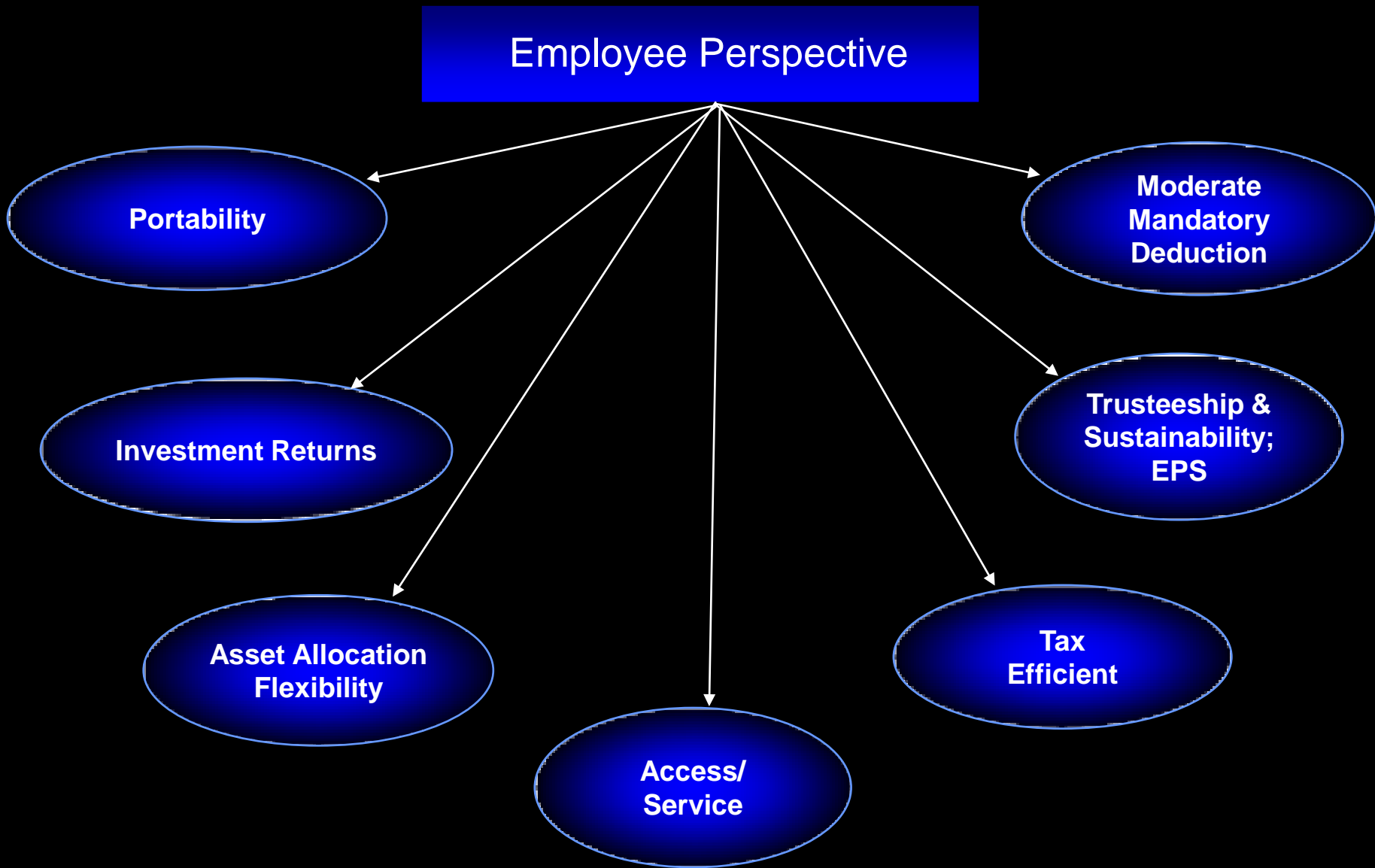
Ideal Employer Pensions



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Change Agenda

- First presentation in 1997; status quo, tree
- Transmission losses, Holistic perspective
- Issue is a priority; kingdom expansion, obesity
- Default by EPS: birth defect, no capital return, no commutation, higher early penalty
- Philosophy and Plumbing
- Woody Allen

Philosophy Changes

- Unbundle Investment, Regulatory and Admn roles
- Allow NPS alternative to employers for EPFO payments; Enforcement
- Eliminate loans and withdrawals but lower total contribution
- Make a call on EPS
- Regulate Superannuation and gratuity trusts
- Superannuation policy orphan because elitist; non-discrimination clause
- Eliminate arbitrage (tax, costs, etc) between trusts/ unexempt / unfunded
- Convert Gratuity to DC, Merge with PF

Plumbing Changes

- Code number allotment: Use PAN
- SBI remittances: branches, jurisdiction, other banks
- Window of Exemption for 3-6 months; no EPS or exempt, NCEUS
- Filing of compliance: simplify returns, e-filing
- Settlements and Workflow: simplify, no individual accounts, slips, SLA
- Exemptions
- Outsourcing legitimacy: TPA

Closing Thoughts

- Benefits Regime vs Labour Markets
 - Unorganized vs. Organized employment; slavery of 21st century
 - Direct consequences for firm and individual level choices; TL
 - Need Backpack Benefits
 - Need diversity; assumptions invalid e.g. TL, Middle of Road
 - EPFO not service organization; no clients, investment hijack
 - Next phase of reform is life in 4th decimal place; contracting, SLAs, RAs for IT, CRM
- Way forward
 - Unique Time in India
 - Missed tryst with destiny; 300 million
 - Biggest lesson of 18 years of reform; 3Es
 - Unintended labour market consequences; geography, architecture
 - Need open architecture, Competition, Portability, Diversity

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