

Group Superannuation Scheme

An organization today has not only to man the various positions with competent and trained personnel but also has to create an environment wherein they can give their best and take pride in their continued association with the organization. Provision of pension may encourage such persons to continue in the organization – an excellent HR policy for all employers.

The superannuation scheme can be customized to suit the needs and objectives of the company to retain their talented work force. Superannuation schemes are of two types based on its cost orientation, i.e. defined contribution or defined benefit.

Defined Contributions scheme: *In this model, cost to the company is pre-decided in terms of a fixed percentage of salary of each employee. These contributions are accumulated with interest earnings under individual employees' accounts. At the time of the exit, employee utilizes the accumulations available in his account to commence the pension as per his option.*

Defined Benefit scheme: *In this model, employer decides the pension benefit either as a percentage of last drawn salary or as a fixed sum per month. Since the benefit is decided, funding has to be done accordingly on the basis of an actuarial valuation with an annual review. Annual review is necessary to factor the changes in annuity rates, salary escalation, interest rates etc. Index linked pension schemes are further improved version providing rise in pension to compensate the inflation. It really provides the total security to employees but has high cost implication.*

Defined contribution scheme is the most popular and widely adopted model due to controllable costs and administratively simpler.

Features and benefits of the scheme

- *Employer needs to set up superannuation trust for the benefit of Employees as per Part B of Schedule IV of the Income Tax Act, 1961 - LIC provides guidance in this process*
- *Employer can decide level of contributions as a fixed percentage of salary and remit to LIC*
- *LIC maintains the individual accounts under the name of the trust*
- *Investment of funds is taken care by LIC and interest earnings are credited to individual accounts*
- *At the time of exit of an employee, trustees advise LIC to commence the pension benefits, i.e. commutation and pension*
- *Various Pension options are available to suit the need of individual members*
 - *Life pension only*
 - *Life pension with guaranteed term of 5/10/15/20 years*
 - *Life pension with return of corpus*
- *Tax benefits*
 - *Contributions are treated a business expenses to the company*
 - *Interest earnings on the Fund are tax free*
- *Can be supported by an insurance scheme to ensure a higher lump sum to the nominee in case of unfortunate death of the member*
- *Employees also can contribute to the scheme*
- *In case of resignation, employee has the option of taking immediate pension or transferring the corpus to new company or can retain with insurer to appreciate till his notional date of superannuation*

Unique advantages with LIC

- *Only Public Sector Undertaking Life Insurer*
- *Consistent Track record of returns on funds*
- *Safety of corpus*
- *Most trusted brand with Wide net work across the country*
- *Wide range of annuity options*
- *Opportunity to earn higher interest if Gratuity/Leave encashment benefit is also funded with LIC*