INDIA

DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP (EUR bn)	**54 549**
GDP per capita (USD)	**1 061**
Population (000s)	**1 181 412**
Labour force (000s)	
Employment rate	
Population over 65 (%)	
Dependency ratio[1]	

Data from 2008 or latest available year.
1. Ratio of over 65-year-olds the labour force.
Source: OECD, various sources.

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- The National Social Assistance Programme covers the poorest elderly
- Civil servants in the central government recruited before January 2004 are covered by two schemes, i.e. Central Civil Services Pension Scheme (CSFS) and the General Provident Fund (GPF), while those recruited after January 2004 should join the fully funded New Pension System (NPS)

Private pensions: occupational (mandatory)

- This pillar covers employees in public and organised private sector. Two schemes exist
- Employees Provident Fund (EPF): DC plan
- Employees Pension Scheme (EPS): DB plan

Private pensions: occupational (voluntary)

- The New Pension System (NPS), introduced in 2004. It is fully funded
- Other voluntary schemes exist, which are oftern referred as superannuation

Source: OECD Global Pension Statistic.

PENSION FUNDS DATA OVERVIEW

	2001	2002	2003	2004	2005	2006	2007
Assets							
Total investments (National currency millions)	*ND*	*ND*	*ND*	*1,722,947*	*1,990,154*	*2,279,634*	*2,562,395*
Total investments, as a % of GDP	*ND*	*ND*	*ND*	*5.51*	*5.58*	*5.53*	*5.43*
Of which Assets overseas, as a % of Total investment:							
• Issued by entities located abroad	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
• Issued in foreign currencies	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
By financing vehicle (as a % of Total investments)							
• Pension funds	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
• Book reserves	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
• Pension insurance contracts	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
• Other financing vehicule	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
By pension plan type							
• Occupational assets	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
• % of DB assets	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
• % of DC (protected and unprotected) assets	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
• Personal assets	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
Structure of Assets (as a % of Total investments)							
Cash and Deposits	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
Fixed Income	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
Of which:							
• Bills and Bonds issued by the public and private sector	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
• Loans	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
Shares	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
Land and Buildings	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
Other Investments	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
Contributions and Benefits							
Total Contributions, as a % of GDP	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
• Employer Contributions, as a % of Total contributions	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
• Employee Contributions, as a % of Total contributions	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
Total Benefits, as a % of GDP	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
• % of benefits paid as a Lump sum	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
• % of benefits paid as a Pension	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
Membership (in thousands of persons) [1]							
Total membership	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
• % of Active membership	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
Of which: % of Deferred membership	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
• % of Passive membership	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
Other beneficiaries	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
Number of Pension Funds/Plans							
Total number of funds	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*
Total number of plans	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*	*ND*

Note: Data refer to the all three components of the Employee Provident Fund Organisation, i.e. Employee Provident Fund, Employee Pension Fund and Deposit Linked Insurance Fund as of March of each year.
1. Membership figures reflect 'membership' rather than 'people'. Therefore a person may be a member of more than one types of plan at any one time, particularly if the person has a number of employments in the year.
ND = data not available
NA = data not applicable

Source: OECD, Global Pension Statistics

INDIA: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

Under the National Social Assistance Programme (NASP), the National Old Age Pension (NOAP) aims to provide a monthly pension (of Rs.75) to 30% of the poorest elderly, over 75 years in age, i.e. 15-20% of the population over 65 years of age is covered. `

Civil servants in the central government recruited prior to 1 January 2004 are covered by two mandatory schemes, i.e. Central Civil Services Pension Scheme (CSFS) and General Provident Fund (GPF). CSFS is PAYG and does not require contribution from employees. However, it requires 10 years of qualifying service, and the maximum benefit is up to 50% of salary. GPF requires employee contributions equivalent to 6% to 100% of salary. For both schemes, the authorities pay an administered rate which is adjusted annually. Lump sum payment is available upon retirement (60 years for women and 65 for men). Central government civil servants recruited after 1 January 2004 must join the mandatory New Pension System (NPS), which is a fully funded DC scheme (see below).

OCCUPATIONAL MANDATORY

Coverage

Upon establishment of the Employees Provident Fund Organisation (EPFO) in 1952, employees in public and organised private section with more than 20 employees in the specified industries should join two mandatory schemes, i.e. Employees Provident Fund (EPF) and Employees Pension Scheme (EPS). However, employers could be exempted from participation if they satisfy EPFO that their own pension plans provide at least the same level of benefits.

Contributions

EPF: 3.67% of salary from both employers and employees each.
EPS: 8.33% of salary from employers and 1.16% from government

Benefits

EPF is DC plan. Lump sum is available upon retirement.
EPS is DB plan and full pension from age 58. One third of pension values may be withdrawn in the form of lump sum.

Taxation

EPF: contributions, investment returns and benefits are exempted from tax
EPS: contributions, investment are not taxed, while benefits are taxed

OCCUPATIONAL VOLUNTARY (NPS)

Coverage

NPS introduced in 2004, is mandatory for the central government employees recruited after 1 January 2004, and voluntary for state civil servants and all the other citizens including private sector employees. As of 2006, 26 states have agreed to participate in the NPS

Contributions

Contributions are 10% of salary from both employees and employers.

Benefits

The system is fully funded. The NPS has two accounts, i.e. Tier-I and Tier-II. Tier-I does not allow pre-mature withdrawal, while Tier-II is withdrawable and does not have tax incentives. Members are entitled to receive pension benefits at age 60. Upon retirement, members are mandated to invest 40% of the accumulated assets to buy annuities. The remaining assets can be withdrawn in the form of lump sum.

Taxation

Members' contributions (to the Tier-II) receive tax benefits up to 15 percent of contributed sum, subject to a ceiling of Rs.70000 per year in accordance with regulation, while members’ contributions to the Tier-I account and employers’ total contributions are completely tax exempted.

OCCUPATIONAL VOLUNTARY (OTHERS)

Coverage

All private and public sector employees as well as self-employees can participate in voluntary retirement plans that are offered by the government, the government owned Life Insurance Corporation of India (LIC) and private life insurance companies as well as mutual funds.

Contributions

Employers and employees can make up to 15% of salary contribution.

Benefits

Superannuation DC or DB plans are fully funded. In case of insured DB superannuation plans offered by insurance companies, full funding is ensured by insurance companies’ actuarial valuations carried out every year. In case of self-managed DB superannuation plans, the trustees are responsible to ensure full funding of the plans. All superannuation funds are required to buy an annuity from a life insurance company at the time of retirement of the employee. The benefits are paid to the members upon reaching the statutory defined retirement age of 60 years.

Taxation

At present an annual contribution of Rs.10,000 as premium is exempted under section 80ccc(1) of Income Tax Act, which means an investment of Rs.10,000 per annum can save up to Rs.3,300 in tax as per current provision of the Income Tax Act. Contribution of more than 10,000 will be eligible for rebate under section 88 of the Income Tax Act.

MARKET INFORMATION

Occupational mandatory

As of December 2006, employees from 181 industries participated, with 43 million of EPF members, and 32 million EPS members. Meanwhile, Rs. 2161 billion assets were accumulated, of which, 64.3% related to EPF, 32.7% to EPS, and 3% to another insurance scheme.

Occupational voluntary

Under the NPS, members can choose between the licensed fund managers, each of whom has to offer 3 different funds, a safe or default fund, a balanced fund and a growth fund.

Note that besides EPFO and NPS, there are other special schemes in India, covering industries like banking, fishery and mining. The contributions are around 10% form both employees and employers, with varying structure and tax policy.

POTENTIAL REFORM

- Reducing the central government's liabilities on the public pension schemes
- Extending pension coverage to the un-organised sector
- Strengthening regulatory and supervisory framework (via Fund Regulatory and Development Authority (PFRDA)

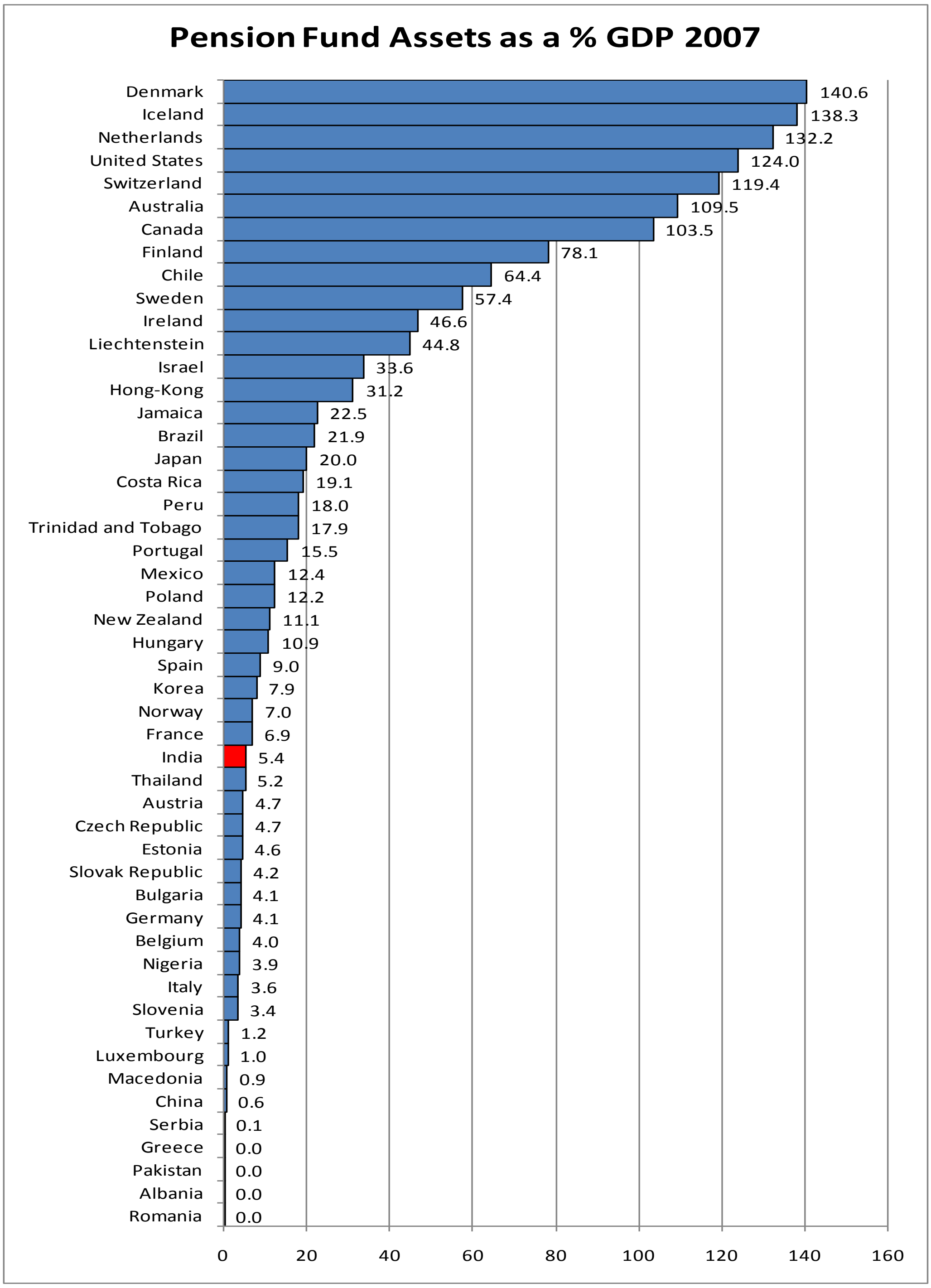
REFERENCE INFORMATION

KEY LEGISLATION

2004: The Pension Fund Regulatory and Development authority Ordinance enacts the creation of the Pension Fund Regulatory and Development Authority and contains the provisions relative to establishment, development and regulation of pension funds and protection of the interests of beneficiaries of pension funds

KEY REGULATORY AND SUPERVISORY AUTHORITIES

Pension Fund Regulatory and Development Authority
http://pfrda.org.in/indexmain.asp?linkid=56


Pension Fund Assets as a % GDP 2007
Denmark 140.6
Iceland 138.3
Netherlands 132.2
United States 124.0
Switzerland 119.4
Australia 109.5
Canada 103.5
Finland 78.1
Chile 64.4
Sweden 57.4
Ireland 46.6
Liechtenstein 44.8
Israel 33.6
Hong-Kong 31.2
Jamaica 22.5
Brazil 21.9
Japan 20.0
Costa Rica 19.1
Peru 18.0
Trinidad and Tobago 17.9
Portugal 15.5
Mexico 12.4
Poland 12.2
New Zealand 11.1
Hungary 10.9
Spain 9.0
Korea 7.9
Norway 7.0
France 6.9
India 5.4
Thailand 5.2
Austria 4.7
Czech Republic 4.7
Estonia 4.6
Slovak Republic 4.2
Bulgaria 4.1
Germany 4.1
Belgium 4.0
Nigeria 3.9
Italy 3.6
Slovenia 3.4
Turkey 1.2
Luxembourg 1.0
Macedonia 0.9
China 0.6
Serbia 0.1
Greece 0.0
Pakistan 0.0
Albania 0.0
Romania 0.0
0 20 40 60 80 100 120 140 160