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Press Release

Milliman releases first India Defined Benefit Funding Study

New analysis provides annual insight into pension and gratuity plans in the India market

New Delhi – April 3, 2012 – Milliman, Inc., a premier global consulting and actuarial firm, today released a new annual study examining the pension and gratuity market in India. The India Defined Benefit Funding Study examines the pension and gratuity obligations of the 26 public sector banks in India and reports on trends related to these obligations.

“This report offers a comprehensive analysis of these retirement plans in India and should help encourage both education about and discussion of these plans,” said Ravi Shekhar, co-author of the India Defined Benefit Funding Study. “In the last fiscal year, these plans registered historic highs in their projected benefit obligation (PBO), leaving a significant funding gap, though the reasons for this shortfall are not always widely understood. This report will help various stakeholders understand the reason behind the funding gap and encourage them to consider possible solutions.”

The funded ratio (of assets to liabilities) for the 26 pension plans analyzed fell to 68% as of March 31, 2011, as compared to 83% on March 31, 2010. The funding deficit increased from Rs 10,100 crores to Rs 37,300 crores during this period. Gratuity plans did not fare much better, as the PBO increased by 52%, from more than Rs 15,700 crores to Rs 23,800 crores.

The 26 banks which form part of the study employ approximately 5,000,000 employees and provide pension benefits to a similar number of retired employees. Ensuring long-term sustainability of these retirement programs should be in the interest of the banks as well as current and retired employees. As the funded status of most plans has deteriorated over the past year, it is recommended that plan sponsors develop comprehensive funding policies to achieve the desired funded status. Pension fund sponsors should consider employing pension risk management practices through liability-driven investing and risk-budgeting (risk-allocation) techniques.

The report provides analysis of the reasons behind this growing funding deficit. To view the complete study, go to <http://bit.ly/GKxYet>.

About Milliman

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information, visit milliman.com.