JAYANTI S. RAVI, IAS
Director

No. 1770 /Dir/NAC/2006

भारत सरकार
राष्ट्रीय सलाहकार परिषद
नई दिल्ली
GOVERNMENT OF INDIA
NATIONAL ADVISORY COUNCIL
NEW DELHI

March 13, 2006

Please find enclosed the gist of a letter received from Shri A.K. Shukla, Chairman, Life Insurance Corporation of India alongwith the detailed annexures on the Schemes for Unorganised Sector Workers, for your perusal.

Yours sincerely,

(Jayanti S. Ravi)

*Encl: as above*

Smt. Aruna Roy,
Member, National Advisory Council,
Village Tilonia, via Madanganj,
Ajmer District,
Rajasthan –305 816.

2, Motilal Nehru Place, New Delhi – 110 011 : Phone : 23018653, Fax:23018646

# Gist of the communication from Chairman, LIC on Schemes for the Unorganised Sector Workers:

LIC has implemented Krishi Shramik Samajik Suraksha Yojana (KSSSY) 2001 in 50 select districts spread in all states which provides a cover of Rs. 20,000 on natural death, Rs. 50,000 on death/total disability due to accident, Rs. 25,000 for partial disability due to accident, survival benefit of Rs. 3,000/- every 10 years and minimum guaranteed pension of Rs. 100 starting from age 60. All agricultural workers between age of 18-50 paying contribution of Rs. 365/- p.a. were allowed to join the scheme by forming a group of atleast 25. The Central Government was to contribute Rs. 365/- p.a. and Rs. 100/- was to be drawn from Social Security Fund maintained by LIC. The scheme was formulated on advice of Ministry of Labour. The response to the scheme was unprecedented and there was a demand to increase the scope of implementation of the scheme to other districts of the country. It was, however, informed by the Ministry of Labour that the scheme has been withdrawn for new enrollment from 1st January 2004 as the budgetary provisions were not forthcoming. Although the scheme was closed for new enrollment, the existing members who had enrolled under the scheme were allowed to pay their subscriptions in future and draw benefits when due.

After the UPA Government adopted the Common Minimum Program which interalia states, "The UPA Government is committed to ensure the welfare and wellbeing of workers particularly those in the unorganized sector who constituted 93% of our work force, social security, health insurance and other schemes for such workers will be expanded." Shri Manohar Lal, Joint Secretary DGLW wrote to us vide his letter dated 29th July 2004 "... it has been decided at the level of Union Finance Ministry that Ministry of Labour should rework the scheme of KSSSY and go to the Planning Commission and get the approval." The Ministry of Labour accordingly wrote to us to depute one of our officials Shri Nilesh Sathe, Chief (SBU-P&GS) for discussions etc.

In view of this, a presentation was made on 24th December 2004 to the officials of Ministry of Finance, Ministry of Labour and Planning Commission suggesting two remodeled products (Annexure I). Thereafter Dr. Bhalchandra Mungekar, Member, Planning Commission called for a meeting at Delhi on 14th Feburary 2005 to work out projections for old age pension scheme for agricultural labourers which was attended by LIC officials.

...2..

In the meantime National Commission for Enterprises in the Unorganised Sector (NCEUS) also decided to take help of LIC in working out projections for the benefits suggested by them which were presented to them on 23rd September 2005 (Annexure III). During the above meeting Dr. Arjun Sengupta, Chairman of NCEUS suggested some modifications in the benefits and accordingly the projections were resubmitted to him on 1st October 2005 (Annexure IV). It was informed by Shri Manohar Lal, Joint Secretary DGLW vide his letter ref. M-21022/8/2004-RW (Vol.II) dated 15th September 2005 that LIC would calculate and project the requirement of funds on actuarial principles for the proposals of National Advisory Council (NAC) and NCEUS and make a presentation before Dy. Chairman, Planning Commission (Annexure V). The workings were submitted on 4th October 2005 vide D.O. letter to Shri Manohar Lal, Joint Secretary DGLW (Annexure VI).

Thereafter we sent all the projections given to various Government agencies vide my D.O. letter dated 2nd November 2005 (Annexure VII) to Shri G. C. Chaturvedi, Joint Secretary (Banking and Insurance), Ministry of Finance

Smt. Jayanti Ravi, IAS, Director, NAC requested LIC to work out some projections under various parameters which was done vide letter dated 14th November 2005 (Annexure VIII).

Vide letter dated 14th November 2005, it was informed that Union Minister for Labour and Employment would hold a meeting on 17th November 2005 followed by presentation to Hon'ble Prime Minister regarding financial implications of various benefits envisaged by NAC and NCEUS. As you may be aware a presentation was accordingly made and the seven slides which were presented to the Hon'ble Prime Minister on 18.11.05 are given in Annexure IX.

Shri Manohar Lal, Jt. Secy. DGLW vide his letter ref:M-21022/8/2004 RW(Vol II) dated 22nd December 2005 informed that LIC would carry out a detailed exercise of the proposed social security benefits based on actuarial analysis which would be examined by Committee of Secretaries (COS) as communicated to them by PMO. The various sets of benefits proposed by NAC and NCEUS for which projections were required were enclosed to the letter. It was also advised that the projection of funds be submitted and discussed in a meeting on 20th January 2006 at LIC, Mumbai which would be chaired by Dr. Bhalchandra Mungekar, Member Planning Commission where officials from Ministry of Finance and Ministry of Labour would be present alongwith Dr. Kannan, Member NCEUS (Annexure X). Accordingly presentations were made on 20th January 2006 (Annexure XI).

The summary record of meeting held on 20th January 2006 has been sent to Ministry of Labour (Annexure XII).

...3..

**Our Views :**

Providing these benefits to 37 crore unorganized workers is a Herculean task and is beyond the scope of administration of any single existing financial institution. The benefits envisaged comprise of natural death cover, accidental death benefit, health insurance, maternity benefit and pension which do not fall under domain of a single insurer either life or non-life. It will therefore be essential to work out a composite product within the IRDA guidelines. Micro insurance regulations have been announced by IRDA which allow a combined product of life and non-life insurance company. It, however, does not envisage the benefit of pension. Business under social sector is expanding very fast and LIC has over one crore lives covered under social security schemes as on 31.03.2005. We have therefore formed a strategic business group of officers of LIC to consider a viable business model for micro insurance which will take care of extension of social security and pension to rural and urban poor including the unorganized labour. This Strategic Business Group (SBG) has also been asked to examine the possibility of having a separate company/Corporation for implementing this objective with focused attention. We have asked the Committee to also look into a business model which may provide for various insurance needs to rural population on a single window concept. In other words the committee has been asked to examine if it is possible to have a single entity which may provide for life cover, non-life cover, health cover, pension benefits, composite insurance cover etc. They have also been asked to examine regulatory, financial, procedural, administration of schemes and other related issues. Subject to initial budgetary support we feel that it may develop into a self supporting or even surplus making business.

The Common Minimum Programme of the UPA Government states as follows:

"For the welfare and wellbeing of all workers, particularly those in the unorganized sector who constitute 93% of the work force, Social Security, Health Insurance and other schemes for such workers will be expanded".

Shri Manohar Lal, Joint Secretary, Director General, Ministry of Labour and Employment, vide his letter dated 29.07.2004 stated as follows:

"There was unprecedented response from the workers to join the Krishi Shramik Samajik Suraksha Yojana – 2001 but due to non availability of funds, the scheme had to be closed. However, it has now been decided at the level of the Union Finance Minister that the Ministry of Labour should rework the scheme and go to the Planning Commission and get the approval".

In view of this Krishi Shramik Samajik Suraksha Yojana – 2001 has been remodelled as under:

# KRISHI SHRAMIK SAMAJIK SURAKSHA YOJANA - 2005

## SALIENT FEATURES OF THE TWO REMODELLED PRODUCTS:

1. A scheme with member contributing Re. 1/- per day and an equal amount by Government of India, i.e. a total of Rs. 730/- p.a.
2. A scheme with member contributing Rs. 2/- per day and Re. 1/- per day by Government of India, i.e. a total of Rs. 1,095/- p.a.

**The salient features of the schemes are:**

| Member contributing Re. 1/- per day | Member contributing Rs. 2/- per day |
|---|---|
| **Eligibility:**<br>Agricultural workers between age of 18 - 50 yrs. | **Eligibility:**<br>Agricultural workers between age of 18 - 50 yrs. |
| **Minimum Membership:**<br>Group Scheme with minimum membership of 25. | **Minimum Membership:**<br>Group Scheme with minimum membership of 25. |
| **Premium:**<br>The mode will be yearly only.<br>Member Rs. 365/- p.a<br>Government Rs. 365/- p.a<br>Social Security Fund Rs. 100/- p.a<br>(life cover) | **Premium:**<br>The mode will be yearly only.<br>Member Rs. 730/- p.a<br>Government Rs. 365/- p.a<br>Social Security Fund Rs. 100/- p.a<br>(life cover) |
| **Benefits:**<br>**Life cover:**<br>Natural Death – Rs. 20,000/-<br>**Death / Total Disability**<br>due to accident - Rs. 50,000/-<br>**Partial Disability**<br>due to accident - Rs. 25,000/-<br>**Survival Benefit**<br>after every 10 years Rs. 3,000/-<br>(Provided at least 10 yearly contributions are received from both member and Govt.) | **Benefits:**<br>**Life cover:**<br>Natural Death – Rs. 20,000/-<br>**Death / Total Disability**<br>due to accident - Rs. 50,000/-<br>**Partial Disability**<br>due to accident - Rs. 25,000/-<br>**Survival Benefit**<br>after every 10 years Rs. 6,000/-<br>(Provided at least 10 yearly contributions are received from both member and Govt.) |

| Burden on Government: Every year Government has to contribute Rs.365/- per member. Suppose we cover 1,00,000 members in the first year, then Government have to pay an amount of Rs. 3.65 crores to Life Insurance Corporation of India. | Burden on Government: Every year Government has to contribute Rs.365/- per member. Suppose we cover 1,00,000 members in the first year, then Government have to pay an amount of Rs. 3.65 crores to Life Insurance Corporation of India. |
|---|---|

**A. Illustration of Member contributing Re. 1/- per day:**

**1. Member surviving till age 60 yrs.**

Suppose a person is aged **20 years** at the entry into the scheme.

**Every year we receive the following amounts**

| | |
|---|---|
| Members' contribution | Rs. 365/- |
| Govt.'s contribution | Rs. 365/- |
| Social Security Fund | Rs. 100/- |
| **Total Premium Received** | **Rs. 830/-** |

Out of Rs. 830/- received every year, Rs. 200/- will be adjusted towards life cover, and balance Rs. 630/- will accumulate in the members' running account with interest at the rate declared every year.

| At the end of | Balance in the Running A/C (before paying Survival Benefit) | Survival Benefit | Closing balance in the Running A/C |
|---|---|---|---|
| 10th year | Rs.6,300/- + Rs.2,502/- | Rs. 3,000/- | Rs. 3,300/- + Rs.2,502/- |
| 20th year | Rs. 3,300/- + Rs. 6,300/- + Rs.9,593/- | Rs. 3,000/- | Rs. 6,600/- + Rs.9,593/- |
| 30th year | Rs. 6,600/- + Rs. 6,300/- + Rs.24,901/- | Rs. 3,000/- | Rs. 9,900/- + Rs.24,901/- |
| 40th year | Rs. 9,900/- + Rs. 6,300/- + Rs.54,926/- | Rs. 3,000/- | Rs. 13,200/- + Rs.54,926/- |

**In the above table as well as the tables that follow, interest rate is assumed @ 6% p.a. However, the rate applicable may vary depending upon the yield.**

When the member attains age 60 years, the amount to the credit of his Running A/C (after paying 4 survival benefits of Rs. 3000/- each) will be Rs. 68,126/- (Rs. 13,200/- + Rs.54,926/-). Now the member has the following options:

1. The member can opt for refund of entire corpus.
2. Amount of pension will be worked out on the accumulated amount of Rs. 68,126/- (i.e. Rs. 13,200/-+ Rs.54,926/-) at the rate then applicable.
3. In case the corpus is less than Rs.15,000/-, then the accumulated amount will be refunded (this is not applicable to our illustration).

**2. Member not surviving till age 60 yrs.**

Suppose a person is aged **20 years** at the entry into the scheme.

**Every year we receive the following amounts**

| | |
|---|---|
| Members' contribution | Rs. 365/- |
| Govt.'s contribution | Rs. 365/- |
| Social Security Fund | Rs. 100/- |
| **Total Premium Received** | **Rs. 830/-** |

Out of Rs. 830/- received every year, Rs. 200/- will be adjusted towards life cover, and balance Rs. 630/- will accumulate in the members' running account with interest at the rate declared every year.

Suppose the member dies at the age of **45 years**, he will be getting the two survival benefits and return of corpus as shown below:

| At the end of | Balance in the Running A/C (before paying Survival Benefit) | Survival Benefit | Closing balance in the Running A/C |
|---|---|---|---|
| $10^{th}$ year | Rs.6,300/- + Rs.2,502/- | Rs. 3,000/- | Rs. 3,300/- + Rs.2,502/- |
| $20^{th}$ year | Rs. 3,300/- + Rs. 6,300/- + Rs.9,593/- | Rs. 3,000/- | Rs. 6,600/- + Rs.9,593/- |
| $25^{th}$ year | Rs. 6,600/- + Rs. 3,150/- + Rs. 15,684/- | ---------- | Rs.9,750/- + Rs. 15,684/- |

Hence, the member will receive Rs. 25,434/- (Rs. 9,750/- + Rs. 15,684/-), along with Life Cover of Rs. 20,000/- in case of Natural Death / Rs. 50000/- in case of Accidental Death.

### B. *Illustration for Member contributing Re. 2/- per day :*

**1. Member surviving till age 60 yrs.**

Suppose a person is aged **20 years** at the entry into the scheme.

**Every year we receive the following amounts**

| | |
|---|---|
| Members' contribution | Rs. 730/- |
| Govt.'s contribution | Rs. 365/- |
| Social Security Fund | Rs. 100/- |
| **Total Premium Received** | **Rs. 1,195/-** |

Out of Rs. 1,195/- received every year, Rs. 200/- will be adjusted towards life cover, and balance Rs. 995/- will accumulate in the members' running account with interest at the rate declared every year.

| At the end of | Balance in the Running A/C (before paying Survival Benefit) | Survival Benefit | Closing balance in the Running A/C |
|---|---|---|---|
| $10^{th}$ year | Rs.9,950/- + Rs. 3,952/- | Rs. 6,000/- | Rs. 3,950/- + Rs. 3,952/- |
| $20^{th}$ year | Rs. 3,950/- + Rs. 9,950/- + Rs.14,153/- | Rs. 6,000/- | Rs. 7,900/- + Rs.14,153/- |
| $30^{th}$ year | Rs. 7,900/- + Rs. 9,950/- + Rs.35,545/- | Rs. 6,000/- | Rs. 11,850/- + Rs.35,545/- |
| $40^{th}$ year | Rs. 11,850/- + Rs. 9,950/- + Rs.76,979/- | Rs. 6,000/- | Rs. 15,800/- + Rs.76,979/- |

When the member attains age 60 years, the amount to the credit of his Running A/C (after paying 4 survival benefits of Rs. 6000/- each) will be Rs. 92,779/- (Rs. 15,800/- + Rs.76,979/-). Now the member has the following options:

1. The member can opt for refund of entire corpus.
2. Amount of pension will be worked out on the accumulated amount of Rs. 92,779/- (i.e. Rs. 15,800/-+ Rs.76,979/-) at the rate then applicable.
3. In case the corpus is less than Rs.15,000/-, then the accumulated amount will be refunded (this is not applicable to our illustration).

2. **Member not surviving till age 60 yrs.**

Suppose a person is aged **20 years** at the entry into the scheme.

**Every year we receive the following amounts**

| | |
|---|---|
| Members' contribution | Rs. 730/- |
| Govt.'s contribution | Rs. 365/- |
| Social Security Fund | Rs. 100/- |
| **Total Premium Received** | **Rs. 1,195/-** |

Out of Rs. 1,195/- received every year, Rs. 200/- will be adjusted towards life cover, and balance Rs. 995/- will accumulate in the members' running account with interest at the rate to be declared at the end of each year.

Suppose the member dies at the age of **45 years**, he will be getting the two survival benefits and return of corpus as shown below :

| At the end of | Balance in the Running A/C (before paying Survival Benefit) | Survival Benefit | Closing balance in the Running A/C |
|---|---|---|---|
| $10^{th}$ year | Rs.9,950/- + Rs. 3,952/- | Rs. 6,000/- | Rs. 3,950/- + Rs. 3,952/- |
| $20^{th}$ year | Rs. 3,950/- + Rs. 9,950/- + Rs.14,153/- | Rs. 6,000/- | Rs. 7,900/- + Rs.14,153/- |
| $25^{th}$ year | Rs. 7,900/- + Rs. 4,975/- + Rs.22,582/- | ---------- | Rs.12,875/- + Rs.22,582/- |

Hence, the member will receive Rs. 35,457/- (Rs. 12,875/- + Rs.22,582/-) on his death, along with Life Cover of Rs. 20,000/- / Rs. 50000/- in case of Accidental Death.

**Defined Contribution Pension Scheme :**

**Assumptions :**

1) Rupee 1 per day contribution by agricultural labourer and Rs. 2 per day by Central Government.

2) Pension is payable at age 60.

3) Contribution is paid atleast for 10 years by the worker.

**Estimates :**

Here it is presumed that the pension is payable only for those workers who are of 49 years and below of age and will start getting pension at age 60. A person of 49 years of age will have accumulation alongwith interest called as corpus of 15952 on attaining 60 years of age of which he will get a pension of Rs. 131. If he is to be paid pension of Rs. 200, a subsidy of 8,590/- will be required.

For age at entry of 45 and below, minimum guaranteed pension of Rs. 200+ can be given. Annexure B explains the scheme.

It is suggested that old age pension for estimated 39 lac workers aged 60 and above be worked on Defined Benefit. Persons who are presently 50 years and above should also be entitled for pension on their attaining 60 years of age. This estimated number is 67.65 lacs, while the persons who are 49 and below should be covered under Defined Contribution scheme to be subsidized to the extent of short fall in corpus to enable them to get a pension of atleast Rs. 200 p.m.

LIC will be in a position to administer the scheme giving unique identification numbers for each such workers and on low cost of operation.

OLD AGE PENSION SCHEME - DEFINED CONTRIBUTION

Interest rate 15 6%

>15 yrs 5.50%

**MEMBER CONTRIBUTION RE 1/- PER DAY & GOVERNMENT RE 2/- PER DAY TOTAL = 3*365 =1095**

IN CASE OF DEATH BEFORE 60 YEARS REFUND OF MEMBERS CONTRIBUTION WITH INTEREST @5%

| AGE | Number | Years upto 60 | Premium | accumulation | Pension |
|---|---|---|---|---|---|
| 15 | 206000 | 45 | 1095 | 200989 | 1655 |
| 16 | 206000 | 44 | 1095 | 189499 | 1560 |
| 17 | 206000 | 43 | 1095 | 178608 | 1471 |
| 18 | 206000 | 42 | 1095 | 168285 | 1386 |
| 19 | 206000 | 41 | 1095 | 158499 | 1305 |
| 20 | 616800 | 40 | 1095 | 149225 | 1229 |
| 21 | 616800 | 39 | 1095 | 140433 | 1156 |
| 22 | 616800 | 38 | 1095 | 132100 | 1088 |
| 23 | 616800 | 37 | 1095 | 124201 | 1023 |
| 24 | 616800 | 36 | 1095 | 116714 | 961 |
| 25 | 918200 | 35 | 1095 | 109618 | 903 |
| 26 | 918200 | 34 | 1095 | 102891 | 847 |
| 27 | 918200 | 33 | 1095 | 96515 | 795 |
| 28 | 918200 | 32 | 1095 | 90472 | 745 |
| 29 | 918200 | 31 | 1095 | 84743 | 698 |
| 30 | 1031600 | 30 | 1095 | 79313 | 653 |
| 31 | 1031600 | 29 | 1095 | 74166 | 611 |
| 32 | 1031600 | 28 | 1095 | 69286 | 570 |
| 33 | 1031600 | 27 | 1095 | 64664 | 532 |
| 34 | 1031600 | 26 | 1095 | 60281 | 496 |
| 35 | 996400 | 25 | 1095 | 56126 | 462 |
| 36 | 996400 | 24 | 1095 | 52188 | 430 |
| 37 | 996400 | 23 | 1095 | 48456 | 399 |
| 38 | 996400 | 22 | 1095 | 44917 | 370 |
| 39 | 996400 | 21 | 1095 | 41564 | 342 |
| 40 | 489000 | 20 | 1095 | 38385 | 316 |
| 41 | 489000 | 19 | 1095 | 35372 | 291 |
| 42 | 489000 | 18 | 1095 | 32516 | 268 |
| 43 | 489000 | 17 | 1095 | 29809 | 245 |
| 44 | 489000 | 16 | 1095 | 27243 | 224 |
| 45 | 489000 | 15 | 1095 | 24811 | 204 |
| 46 | 489000 | 14 | 1095 | 22399 | 184 |
| 47 | 489000 | 13 | 1095 | 20124 | 166 |
| 48 | 489000 | 12 | 1095 | 17978 | 148 |
| 49 | 489000 | 11 | 1095 | 15953 | 131 |
| 50-59 | 6765000 | | | | |
| 60 & above | 3900000 | | | | |
| Total | 34400000 | | | | |

IN CASE OF DEATH OF MEMBER

| NO. OF YRS PREM PAID | ACCUMULATION @5% |
|---|---|
| 1 | 365 |
| 2 | 748 |
| 3 | 1151 |
| 4 | 1573 |
| 5 | 2017 |
| 6 | 2483 |
| 7 | 2972 |
| 8 | 3485 |
| 9 | 4025 |
| 10 | 4591 |
| 11 | 5185 |
| 12 | 5810 |
| 13 | 6465 |
| 14 | 7154 |
| 15 | 7876 |
| 16 | 8635 |
| 17 | 9432 |
| 18 | 10268 |
| 19 | 11147 |
| 20 | 12069 |
| 21 | 13038 |
| 22 | 14054 |
| 23 | 15122 |
| 24 | 16243 |
| 25 | 17420 |
| 26 | 18656 |
| 27 | 19954 |
| 28 | 21317 |
| 29 | 22748 |
| 30 | 24250 |
| 31 | 25828 |
| 32 | 27484 |
| 33 | 29223 |
| 34 | 31049 |
| 35 | 32967 |
| 36 | 34980 |
| 37 | 37094 |
| 38 | 39314 |
| 39 | 41645 |
| 40 | 44092 |
| 41 | 46662 |
| 42 | 49360 |
| 43 | 52193 |
| 44 | 55167 |

Government Scheme for Landless labourers

No withdrawals and death exits considered

| age | Number | purchase price for pension of Rs.100/- per month | Single Premium | annuity factor | Annual premium | Term/year | Annual premium |
|---|---|---|---|---|---|---|---|
| 15 | 206000 | 3109433962 | 279460643 | 17.46 | 16007735 | 1 to 11 | 7152251690 |
| 16 | 206000 | 3109433962 | 294830979 | 17.36 | 16980385 | 12 | 6672508517 |
| 17 | 206000 | 3109433962 | 311046682 | 17.26 | 18018114 | 13 | 6245527649 |
| 18 | 206000 | 3109433962 | 328154250 | 17.16 | 19126034 | 14 | 5862938326 |
| 19 | 206000 | 3109433962 | 346202734 | 17.05 | 20309762 | 15 | 5518165189 |
| 20 | 616800 | 9310188679 | 1093604018 | 16.93 | 64600737 | 16 | 5205949616 |
| 21 | 616800 | 9310188679 | 1153752239 | 16.80 | 68656366 | 17 | 4922020637 |
| 22 | 616800 | 9310188679 | 1217208612 | 16.67 | 73000403 | 18 | 4662862637 |
| 23 | 616800 | 9310188679 | 1284155085 | 16.54 | 77657824 | 19 | 4425547583 |
| 24 | 616800 | 9310188679 | 1354783615 | 16.39 | 82656374 | 20 | 4207611396 |
| 25 | 918200 | 13859622642 | 2127724129 | 16.24 | 131041440 | 21 | 4006961232 |
| 26 | 918200 | 13859622642 | 2244748956 | 16.08 | 139641634 | 22 | 3629681401 |
| 27 | 918200 | 13859622642 | 2368210149 | 15.90 | 148904718 | 23 | 3280821374 |
| 28 | 918200 | 13859622642 | 2498461707 | 15.72 | 158895509 | 24 | 2957644603 |
| 29 | 918200 | 13859622642 | 2635877101 | 15.53 | 169687160 | 25 | 2657759781 |
| 30 | 1031600 | 15571320755 | 3124292324 | 15.33 | 203761280 | 26 | 2379065688 |
| 31 | 1031600 | 15571320755 | 3296128402 | 15.12 | 217977414 | 27 | 2110544220 |
| 32 | 1031600 | 15571320755 | 3477415464 | 14.90 | 233413354 | 28 | 1860336243 |
| 33 | 1031600 | 15571320755 | 3668673315 | 14.66 | 250207977 | 29 | 1626922890 |
| 34 | 1031600 | 15571320755 | 3870450347 | 14.41 | 268521467 | 30 | 1408945476 |
| 35 | 996400 | 15040000000 | 3943994907 | 14.15 | 278694093 | 31 | 1205184195 |
| 36 | 996400 | 15040000000 | 4160914627 | 13.88 | 299884823 | 32 | 1035497035 |
| 37 | 996400 | 15040000000 | 4389764931 | 13.58 | 323176771 | 33 | 876601527 |
| 38 | 996400 | 15040000000 | 4631202002 | 13.28 | 348860027 | 34 | 727696808 |
| 39 | 996400 | 15040000000 | 4885918112 | 12.95 | 377279831 | 35 | 588055174 |
| 40 | 489000 | 7381132075 | 2529727744 | 12.61 | 200650164 | 36 | 457013734 |
| 41 | 489000 | 7381132075 | 2668862770 | 12.25 | 217936187 | 37 | 374357360 |
| 42 | 489000 | 7381132075 | 2815650223 | 11.86 | 237315054 | 38 | 296699536 |
| 43 | 489000 | 7381132075 | 2970510985 | 11.46 | 259158000 | 39 | 223699133 |
| 44 | 489000 | 7381132075 | 3133889089 | 11.04 | 283928979 | 40 | 155042767 |
| 45 | 489000 | 7381132075 | 3306252989 | 10.59 | 312215573 | 41 | 90442030 |
| 46 | 489000 | 7381132075 | 3488096903 | 10.12 | 344773137 | 42 | 70132268 |
| 47 | 489000 | 7381132075 | 3679942233 | 9.62 | 382589323 | 43 | 51006234 |
| 48 | 489000 | 7381132075 | 3882339056 | 9.09 | 426980868 | 44 | 32988120 |
| 49 | 489000 | 7381132075 | 4095867704 | 8.54 | 479743173 | 45 | 16007735 |
| | 23735000 | 358264150943 | **91558115026** | | **7152251690** | | |
| | 2.38 crores | | 9155.82 crores | | 715.26 crores | | |

WITH EXPENSES

## Accumulation of Rs.550/- per member to age 60

@6% for 15 years and 5.5% subsequently

### CHART A1

Prem per member = 550/- -
interest rate first 15 years 6% subsequent 5.5%

| AGE | premium paying term | Premium | accumulation | Pension per month |
|---|---|---|---|---|
| 20 | 40 | 550 | 79317 | 653 |
| 21 | 39 | 550 | 74646 | 615 |
| 22 | 38 | 550 | 70218 | 578 |
| 23 | 37 | 550 | 66022 | 544 |
| 24 | 36 | 550 | 62043 | 511 |
| 25 | 35 | 550 | 58273 | 480 |
| 26 | 34 | 550 | 54698 | 450 |
| 27 | 33 | 550 | 51311 | 422 |
| 28 | 32 | 550 | 48099 | 396 |
| 29 | 31 | 550 | 45056 | 371 |
| 30 | 30 | 550 | 42171 | 347 |
| 31 | 29 | 550 | 39436 | 325 |
| 32 | 28 | 550 | 36844 | 303 |
| 33 | 27 | 550 | 34387 | 283 |
| 34 | 26 | 550 | 32058 | 264 |
| 35 | 25 | 550 | 29850 | 246 |
| 36 | 24 | 550 | 27758 | 229 |
| 37 | 23 | 550 | 25774 | 212 |
| 38 | 22 | 550 | 23895 | 197 |
| 39 | 21 | 550 | 22113 | 182 |
| 40 | 20 | 550 | 20424 | 168 |
| 41 | 19 | 550 | 18823 | 155 |
| 42 | 18 | 550 | 17305 | 142 |
| 43 | 17 | 550 | 15867 | 131 |
| 44 | 16 | 550 | 14503 | 119 |
| 45 | 15 | 550 | 13211 | 109 |
| 46 | 14 | 550 | 11927 | 98 |
| 47 | 13 | 550 | 10715 | 88 |
| 48 | 12 | 550 | 9573 | 79 |
| 49 | 11 | 550 | 8495 | 70 |
| 50 | 10 | 550 | 7478 | 62 |
| 51 | 9 | 550 | 6518 | 54 |
| 52 | 8 | 550 | 5613 | 46 |
| 53 | 7 | 550 | 4759 | 39 |
| 54 | 6 | 550 | 3953 | 33 |
| 55 | 5 | 550 | 3193 | 26 |
| 56 | 4 | 550 | 2476 | 20 |
| 57 | 3 | 550 | 1800 | 15 |
| 58 | 2 | 550 | 1162 | 10 |
| 59 | 1 | 550 | 560 | 5 |

@8.5% for 15 years and 8% subsequently

### CHART A2

Prem per member = 550/- -
interest rate first 15 years 8.5% subsequent 8%

| AGE | premium paying term | Premium | accumulation | Pension per month |
|---|---|---|---|---|
| 20 | 40 | 550 | 154643 | 1273 |
| 21 | 39 | 550 | 142652 | 1175 |
| 22 | 38 | 550 | 131549 | 1083 |
| 23 | 37 | 550 | 121268 | 998 |
| 24 | 36 | 550 | 111749 | 920 |
| 25 | 35 | 550 | 102935 | 847 |
| 26 | 34 | 550 | 94774 | 780 |
| 27 | 33 | 550 | 87218 | 718 |
| 28 | 32 | 550 | 80221 | 660 |
| 29 | 31 | 550 | 73742 | 607 |
| 30 | 30 | 550 | 67744 | 558 |
| 31 | 29 | 550 | 62189 | 512 |
| 32 | 28 | 550 | 57046 | 470 |
| 33 | 27 | 550 | 52284 | 430 |
| 34 | 26 | 550 | 47875 | 394 |
| 35 | 25 | 550 | 43793 | 361 |
| 36 | 24 | 550 | 40013 | 329 |
| 37 | 23 | 550 | 36512 | 301 |
| 38 | 22 | 550 | 33272 | 274 |
| 39 | 21 | 550 | 30271 | 249 |
| 40 | 20 | 550 | 27492 | 226 |
| 41 | 19 | 550 | 24920 | 205 |
| 42 | 18 | 550 | 22537 | 186 |
| 43 | 17 | 550 | 20332 | 167 |
| 44 | 16 | 550 | 18289 | 151 |
| 45 | 15 | 550 | 16398 | 135 |
| 46 | 14 | 550 | 14577 | 120 |
| 47 | 13 | 550 | 12899 | 106 |
| 48 | 12 | 550 | 11352 | 93 |
| 49 | 11 | 550 | 9927 | 82 |
| 50 | 10 | 550 | 8613 | 71 |
| 51 | 9 | 550 | 7402 | 61 |
| 52 | 8 | 550 | 6286 | 52 |
| 53 | 7 | 550 | 5257 | 43 |
| 54 | 6 | 550 | 4309 | 35 |
| 55 | 5 | 550 | 3435 | 28 |
| 56 | 4 | 550 | 2630 | 22 |
| 57 | 3 | 550 | 1888 | 16 |
| 58 | 2 | 550 | 1203 | 10 |
| 59 | 1 | 550 | 573 | 5 |

@10% for 15 years and 9.5% subsequently

### CHART A3

Prem per member = 550/- -
interest rate first 15 years 10.0% subsequent 9.5%

| AGE | premium paying term | Premium | accumulation | Pension per month |
|---|---|---|---|---|
| 20 | 40 | 550 | 234448 | 1930 |
| 21 | 39 | 550 | 213572 | 1758 |
| 22 | 38 | 550 | 194506 | 1601 |
| 23 | 37 | 550 | 177095 | 1458 |
| 24 | 36 | 550 | 161195 | 1327 |
| 25 | 35 | 550 | 146673 | 1208 |
| 26 | 34 | 550 | 133412 | 1098 |
| 27 | 33 | 550 | 121301 | 999 |
| 28 | 32 | 550 | 110241 | 908 |
| 29 | 31 | 550 | 100141 | 824 |
| 30 | 30 | 550 | 90916 | 749 |
| 31 | 29 | 550 | 82492 | 679 |
| 32 | 28 | 550 | 74799 | 616 |
| 33 | 27 | 550 | 67774 | 558 |
| 34 | 26 | 550 | 61357 | 505 |
| 35 | 25 | 550 | 55498 | 457 |
| 36 | 24 | 550 | 50147 | 413 |
| 37 | 23 | 550 | 45260 | 373 |
| 38 | 22 | 550 | 40797 | 336 |
| 39 | 21 | 550 | 36721 | 302 |
| 40 | 20 | 550 | 32999 | 272 |
| 41 | 19 | 550 | 29600 | 244 |
| 42 | 18 | 550 | 26496 | 218 |
| 43 | 17 | 550 | 23661 | 195 |
| 44 | 16 | 550 | 21072 | 173 |
| 45 | 15 | 550 | 18707 | 154 |
| 46 | 14 | 550 | 16470 | 136 |
| 47 | 13 | 550 | 14437 | 119 |
| 48 | 12 | 550 | 12588 | 104 |
| 49 | 11 | 550 | 10908 | 90 |
| 50 | 10 | 550 | 9380 | 77 |
| 51 | 9 | 550 | 7991 | 66 |
| 52 | 8 | 550 | 6728 | 55 |
| 53 | 7 | 550 | 5580 | 46 |
| 54 | 6 | 550 | 4537 | 37 |
| 55 | 5 | 550 | 3588 | 30 |
| 56 | 4 | 550 | 2726 | 22 |
| 57 | 3 | 550 | 1942 | 16 |
| 58 | 2 | 550 | 1229 | 10 |
| 59 | 1 | 550 | 581 | 5 |

ASSUMPTIONS FOR EXPENSES
AT ACCUMULATION STAGE: 4% ON INITIAL PREMIUM AND 2.5% ON SUBSEQUENT PREMIUMS
AT ANNUITY STAGE: 9% OF ANNUITY INSTALMENT WITH INFLATION OF 3% PER ANNUM

## Accumulation of Rs.550/- per member to age 60

**WITHOUT EXPENSES**

@6% for 15 years and 5.5% subsequently

### CHART B1

Prem per member = 550/- -
interest rate first 15 years 6% subsequent 5.5%

| AGE | premium paying term | Premium | accumulation | Pension per month |
|---|---|---|---|---|
| 20 | 40 | 550 | 81429 | 746 |
| 21 | 39 | 550 | 76634 | 702 |
| 22 | 38 | 550 | 72088 | 660 |
| 23 | 37 | 550 | 67780 | 621 |
| 24 | 36 | 550 | 63697 | 583 |
| 25 | 35 | 550 | 59826 | 548 |
| 26 | 34 | 550 | 56157 | 514 |
| 27 | 33 | 550 | 52679 | 482 |
| 28 | 32 | 550 | 49383 | 452 |
| 29 | 31 | 550 | 46259 | 424 |
| 30 | 30 | 550 | 43297 | 397 |
| 31 | 29 | 550 | 40490 | 371 |
| 32 | 28 | 550 | 37829 | 346 |
| 33 | 27 | 550 | 35307 | 323 |
| 34 | 26 | 550 | 32916 | 301 |
| 35 | 25 | 550 | 30650 | 281 |
| 36 | 24 | 550 | 28502 | 261 |
| 37 | 23 | 550 | 26466 | 242 |
| 38 | 22 | 550 | 24537 | 225 |
| 39 | 21 | 550 | 22708 | 208 |
| 40 | 20 | 550 | 20974 | 192 |
| 41 | 19 | 550 | 19330 | 177 |
| 42 | 18 | 550 | 17773 | 163 |
| 43 | 17 | 550 | 16296 | 149 |
| 44 | 16 | 550 | 14896 | 136 |
| 45 | 15 | 550 | 13570 | 124 |
| 46 | 14 | 550 | 12252 | 112 |
| 47 | 13 | 550 | 11008 | 101 |
| 48 | 12 | 550 | 9835 | 90 |
| 49 | 11 | 550 | 8728 | 80 |
| 50 | 10 | 550 | 7684 | 70 |
| 51 | 9 | 550 | 6699 | 61 |
| 52 | 8 | 550 | 5770 | 53 |
| 53 | 7 | 550 | 4894 | 45 |
| 54 | 6 | 550 | 4067 | 37 |
| 55 | 5 | 550 | 3286 | 30 |
| 56 | 4 | 550 | 2550 | 23 |
| 57 | 3 | 550 | 1856 | 17 |
| 58 | 2 | 550 | 1201 | 11 |
| 59 | 1 | 550 | 583 | 5 |

@8.5% for 15 years and 8% subsequently

### CHART B2

Prem per member = 550/- -
interest rate first 15 years 8.5% subsequent 8%

| AGE | premium paying term | Premium | accumulation | Pension per month |
|---|---|---|---|---|
| 20 | 40 | 550 | 158805 | 1454 |
| 21 | 39 | 550 | 146492 | 1342 |
| 22 | 38 | 550 | 135091 | 1237 |
| 23 | 37 | 550 | 124534 | 1141 |
| 24 | 36 | 550 | 114759 | 1051 |
| 25 | 35 | 550 | 105709 | 968 |
| 26 | 34 | 550 | 97328 | 891 |
| 27 | 33 | 550 | 89569 | 820 |
| 28 | 32 | 550 | 82384 | 755 |
| 29 | 31 | 550 | 75732 | 694 |
| 30 | 30 | 550 | 69572 | 637 |
| 31 | 29 | 550 | 63868 | 585 |
| 32 | 28 | 550 | 58587 | 537 |
| 33 | 27 | 550 | 53698 | 492 |
| 34 | 26 | 550 | 49170 | 450 |
| 35 | 25 | 550 | 44978 | 412 |
| 36 | 24 | 550 | 41096 | 376 |
| 37 | 23 | 550 | 37502 | 343 |
| 38 | 22 | 550 | 34174 | 313 |
| 39 | 21 | 550 | 31093 | 285 |
| 40 | 20 | 550 | 28239 | 259 |
| 41 | 19 | 550 | 25598 | 234 |
| 42 | 18 | 550 | 23151 | 212 |
| 43 | 17 | 550 | 20887 | 191 |
| 44 | 16 | 550 | 18789 | 172 |
| 45 | 15 | 550 | 16846 | 154 |
| 46 | 14 | 550 | 14978 | 137 |
| 47 | 13 | 550 | 13254 | 121 |
| 48 | 12 | 550 | 11666 | 107 |
| 49 | 11 | 550 | 10202 | 93 |
| 50 | 10 | 550 | 8853 | 81 |
| 51 | 9 | 550 | 7609 | 70 |
| 52 | 8 | 550 | 6463 | 59 |
| 53 | 7 | 550 | 5407 | 50 |
| 54 | 6 | 550 | 4433 | 41 |
| 55 | 5 | 550 | 3536 | 32 |
| 56 | 4 | 550 | 2709 | 25 |
| 57 | 3 | 550 | 1947 | 18 |
| 58 | 2 | 550 | 1244 | 11 |
| 59 | 1 | 550 | 597 | 5 |

@10% for 15 years and 9.5% subsequently

### CHART B3

Prem per member = 550/- -
interest rate first 15 years 10.0% subsequent 9.5%

| AGE | premium paying term | Premium | accumulation | Pension per month |
|---|---|---|---|---|
| 20 | 40 | 550 | 240802 | 2205 |
| 21 | 39 | 550 | 219360 | 2009 |
| 22 | 38 | 550 | 199779 | 1830 |
| 23 | 37 | 550 | 181896 | 1666 |
| 24 | 36 | 550 | 165565 | 1516 |
| 25 | 35 | 550 | 150651 | 1380 |
| 26 | 34 | 550 | 137031 | 1255 |
| 27 | 33 | 550 | 124593 | 1141 |
| 28 | 32 | 550 | 113233 | 1037 |
| 29 | 31 | 550 | 102859 | 942 |
| 30 | 30 | 550 | 93385 | 855 |
| 31 | 29 | 550 | 84734 | 776 |
| 32 | 28 | 550 | 76832 | 704 |
| 33 | 27 | 550 | 69616 | 638 |
| 34 | 26 | 550 | 63027 | 577 |
| 35 | 25 | 550 | 57009 | 522 |
| 36 | 24 | 550 | 51513 | 472 |
| 37 | 23 | 550 | 46493 | 426 |
| 38 | 22 | 550 | 41910 | 384 |
| 39 | 21 | 550 | 37724 | 345 |
| 40 | 20 | 550 | 33901 | 310 |
| 41 | 19 | 550 | 30410 | 279 |
| 42 | 18 | 550 | 27221 | 249 |
| 43 | 17 | 550 | 24310 | 223 |
| 44 | 16 | 550 | 21651 | 198 |
| 45 | 15 | 550 | 19222 | 176 |
| 46 | 14 | 550 | 16925 | 155 |
| 47 | 13 | 550 | 14836 | 136 |
| 48 | 12 | 550 | 12937 | 118 |
| 49 | 11 | 550 | 11211 | 103 |
| 50 | 10 | 550 | 9642 | 88 |
| 51 | 9 | 550 | 8216 | 75 |
| 52 | 8 | 550 | 6919 | 63 |
| 53 | 7 | 550 | 5740 | 53 |
| 54 | 6 | 550 | 4668 | 43 |
| 55 | 5 | 550 | 3694 | 34 |
| 56 | 4 | 550 | 2808 | 26 |
| 57 | 3 | 550 | 2003 | 18 |
| 58 | 2 | 550 | 1271 | 12 |
| 59 | 1 | 550 | 605 | 6 |

Dear Dr. Arjun Sen Gupta,

This has reference to the discussions we had during the meeting called by National Commission on Unorganised Workers on 23rd September, 2005. During the meeting you had suggested that the effect of deaths of members if shown separately will reduce the subsidy required.

I am therefore enclosing two charts in Annexure A and B. Annexure A shows the amount of pension per month available for Defined Contribution of Rs. 400/- p.a. at various ages from 20 to 59 with pension starting age is 60. This does not take into account the mortality assumptions of the group. It is assumed that the accumulated amount will be refunded to the diseased nominees.

Annexure B is for assumed 3 crore population distributed age-wise from age 20 to 59 for a pension of Rs. 300 per month starting at age 60. It is assumed that the balance in the fund of the diseased members will be pooled back to the fund instead of returning the same to the members. The mortality assumptions are at 94-96 mortality rates raised to 175%. Interest assumptions are at 6% for first 15 years and 5.5% thereafter. Assumptions of expenses are mentioned at the end of Annexure B.

It will be observed from the Annexure B that the additional subsidy required for payment of pension of Rs. 300 per month is getting reduced year after year.

**Illustration :**

With assumed 725268 members at age 59 joining the scheme with contribution of Rs. 400/- will have a balance of Rs. 407 each at the end of one year and with experience of census mortality out of them 710103 will survive at age 60 and will be entitled for pension of Rs. 300 per month. The contribution of all those from age 20 to 59 who have died in the first year of the scheme comes to 7 crores in the first year while the total of the contribution of the members who are alive, out of those who have entered at age 59 is 29 crs. The corpus required for payment of pension of Rs. 300 per month at age 60 for the 710103 surviving members at age 60 is Rs. 2587 crores. Out of this the contribution of diseased members will be Rs. 7 crores and the one year surviving members who entered at age 59 will be 29 crores and hence the additional subsidy that will be required in year one will be Rs. 2552 crores (2587-7-29) with approximation.

I hope that the Annexure B will be useful in making projections.

With regards,

Yours sincerely,

(Nilesh B. Sathe)

Dr. Arjun Sen Gupta,
Chairman,
National Commission for Enterprises
In the Unorganised Sector,
Governemnt of India,
1st Floor, jawahar Vyapar Bhawan,
1, Tolstoy Marg,
NEW DELHI – 110 001.

## ANNEXURE - B

Considering deaths in the group in different years the total additional subsidy required for pension of Rs.300 per month per member for age groups 20 to 59 starting at age 60.

| age at entry | initial members considered in the scheme | accumulation per member (in Rupees) | Members who are likely to get pension | Total contribution of members who reach 60 years of age (in Rs. Crores) | additional amount available due to death (in Rs. Crores) | amount required for pension of Rs.300 per month (in Rs. Crores) | additional subsidy required (in Rs. Crores) | Years |
|---|---|---|---|---|---|---|---|---|
| 20 | 618010 | 57685 | 482663 | 2784 | 16 | 1759 | -1042 | 40 |
| 21 | 618010 | 54288 | 483505 | 2625 | 31 | 1762 | -894 | 39 |
| 22 | 618010 | 51068 | 484383 | 2474 | 45 | 1765 | -753 | 38 |
| 23 | 618010 | 48016 | 485290 | 2330 | 56 | 1768 | -618 | 37 |
| 24 | 618010 | 45122 | 486216 | 2194 | 66 | 1772 | -488 | 36 |
| 25 | 919900 | 42380 | 725135 | 3073 | 82 | 2642 | -513 | 35 |
| 26 | 919900 | 39781 | 726574 | 2890 | 95 | 2647 | -338 | 34 |
| 27 | 919900 | 37317 | 728030 | 2717 | 107 | 2653 | -171 | 33 |
| 28 | 919900 | 34981 | 729504 | 2552 | 117 | 2658 | -10 | 32 |
| 29 | 919900 | 32768 | 730996 | 2395 | 124 | 2664 | 144 | 31 |
| 30 | 1033605 | 30669 | 823033 | 2524 | 133 | 2999 | 342 | 30 |
| 31 | 1033605 | 28681 | 824720 | 2365 | 140 | 3005 | 500 | 29 |
| 32 | 1033605 | 26795 | 826412 | 2214 | 145 | 3011 | 652 | 28 |
| 33 | 1033605 | 25008 | 828154 | 2071 | 148 | 3018 | 798 | 27 |
| 34 | 1033605 | 23315 | 829961 | 1935 | 150 | 3024 | 939 | 26 |
| 35 | 998166 | 21709 | 803341 | 1744 | 151 | 2927 | 1032 | 25 |
| 36 | 998166 | 20187 | 805301 | 1626 | 150 | 2934 | 1158 | 24 |
| 37 | 998166 | 18745 | 807399 | 1513 | 149 | 2942 | 1279 | 23 |
| 38 | 998166 | 17378 | 809651 | 1407 | 147 | 2950 | 1396 | 22 |
| 39 | 998166 | 16082 | 812103 | 1306 | 144 | 2959 | 1509 | 21 |
| 40 | 489892 | 14853 | 399877 | 594 | 134 | 1457 | 730 | 20 |
| 41 | 489892 | 13689 | 401318 | 549 | 123 | 1462 | 789 | 19 |
| 42 | 489892 | 12585 | 402905 | 507 | 114 | 1468 | 847 | 18 |
| 43 | 489892 | 11539 | 404620 | 467 | 105 | 1474 | 903 | 17 |
| 44 | 489892 | 10548 | 406473 | 429 | 96 | 1481 | 956 | 16 |
| 45 | 489892 | 9608 | 408496 | 392 | 88 | 1488 | 1008 | 15 |
| 46 | 489892 | 8674 | 410731 | 356 | 81 | 1497 | 1059 | 14 |
| 47 | 489892 | 7793 | 413221 | 322 | 74 | 1506 | 1110 | 13 |
| 48 | 489892 | 6962 | 415997 | 290 | 67 | 1516 | 1159 | 12 |
| 49 | 489892 | 6178 | 419105 | 259 | 61 | 1527 | 1207 | 11 |
| 50 | 725268 | 5438 | 625640 | 340 | 56 | 2280 | 1883 | 10 |
| 51 | 725268 | 4740 | 631435 | 299 | 52 | 2301 | 1950 | 9 |
| 52 | 725268 | 4082 | 637930 | 260 | 47 | 2324 | 2017 | 8 |
| 53 | 725268 | 3461 | 645204 | 223 | 42 | 2351 | 2085 | 7 |
| 54 | 725268 | 2875 | 653337 | 188 | 37 | 2381 | 2156 | 6 |
| 55 | 725268 | 2322 | 662425 | 154 | 32 | 2414 | 2228 | 5 |
| 56 | 725268 | 1801 | 672566 | 121 | 26 | 2451 | 2304 | 4 |
| 57 | 725268 | 1309 | 683856 | 90 | 20 | 2492 | 2382 | 3 |
| 58 | 725268 | 845 | 696403 | 59 | 14 | 2538 | 2465 | 2 |
| 59 | 725268 | 407 | 710103 | 29 | 7 | 2587 | 2552 | 1 |
| TOTAL | 30000000 | | 24934013 | | | | | |

Assumptions:

Expenses

In the accumulation stage 4% of first premium and 2.5% of renewal premium

In the annuity stage 9% of annuity instalment with inflation of 3% per annum

Ann. V



MANOHAR LAL, *I.A.S.*
Tele Fax : 23383684

महानिदेशक श्रम कल्याण
श्रम एवं रोजगार मंत्रालय
जैसलमेर हाउस
मान सिंह रोड
नई दिल्ली ११००११

DIRECTOR GENERAL LABOUR WELFARE
MINISTRY OF LABOUR & EMPLOYMENT
JAISALMER HOUSE
MANSINGH ROAD.
NEW DELHI-110011

Dated 15.09.2005

D.O No. M-21022/8/2004-RW (Vol.II)

Dear Shri Nilesh

Please recall the discussions held with Dr. Mungekar, Member, Planning Commission on Pension Scheme for agricultural workers last week. During the course of presentation on draft Bills on social security for the workers in the unorganized sector as drafted by this Ministry, National Advisory Council (NAC) and by the National Commission for Enterprises in the Unorganised Sector (NCEUS) on 14th September before Dr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, it was suggested to work out the financial implications of a social security scheme as proposed by NAC. It was decided that the Life Insurance Corporation of India would calculate and project the requirement of funds on the basis of actuarial principles and make a presentation before the Deputy Chairman, Planning Commission within next fortnight. It is also envisaged that the LIC will implement the scheme. While working out requirement of funds, following parameters are required to be kept in view:

(a) Life-cum-accident insurance cover (Rs. 5,000/- in case of natural death and Rs. 40,000/- in case of death due to accident);
(b) Health insurance of Rs. 6,000/- per annum;
(c) Maternity benefit of Rs. 500/- per child upto two live births;
(d) A Pension scheme as per the table attached; and
(e) Coverage of one crore workers in one year and also another model in which two crore workers are covered in five years @ 40 lakh workers in each year.
(f) The contribution of the worker would be Re. one per day per workers and the remaining expenditure would be borne by the Government.

I shall be grateful if you could prepare a Presentation showing expenditure involved for implementation of above scheme subject to adjustment to inflationary trends over the years and particularly in relation to pensionery benefits i.e. the value of pension available at age 60 should be exactly the same in absolute terms. If the rate of pension is Rs. 500 at age 60 it should be exactly the same in value of Rs. 500 today. Similarly, re-modeled Krishi Shramik Samajik Suraksha Yojana as presented in January 2005 may also be brought and presented.

Accumulation of Rs.550/- per member to age 60

**WITHOUT EXPENSES**

@6% for 15 years and 5.5% subsequently

**CHART B1**

Prem per member = 550/- -

interest rate first 15 years 6% subsequent 5.5%

| AGE | premium paying term | Premium | accumulation | Pension per month |
|---|---|---|---|---|
| 20 | 40 | 550 | 81429 | 746 |
| 21 | 39 | 550 | 76634 | 702 |
| 22 | 38 | 550 | 72088 | 660 |
| 23 | 37 | 550 | 67780 | 621 |
| 24 | 36 | 550 | 63697 | 583 |
| 25 | 35 | 550 | 59826 | 548 |
| 26 | 34 | 550 | 56157 | 514 |
| 27 | 33 | 550 | 52679 | 482 |
| 28 | 32 | 550 | 49383 | 452 |
| 29 | 31 | 550 | 46259 | 424 |
| 30 | 30 | 550 | 43297 | 397 |
| 31 | 29 | 550 | 40490 | 371 |
| 32 | 28 | 550 | 37829 | 346 |
| 33 | 27 | 550 | 35307 | 323 |
| 34 | 26 | 550 | 32916 | 301 |
| 35 | 25 | 550 | 30650 | 281 |
| 36 | 24 | 550 | 28502 | 261 |
| 37 | 23 | 550 | 26466 | 242 |
| 38 | 22 | 550 | 24537 | 225 |
| 39 | 21 | 550 | 22708 | 208 |
| 40 | 20 | 550 | 20974 | 192 |
| 41 | 19 | 550 | 19330 | 177 |
| 42 | 18 | 550 | 17773 | 163 |
| 43 | 17 | 550 | 16296 | 149 |
| 44 | 16 | 550 | 14896 | 136 |
| 45 | 15 | 550 | 13570 | 124 |
| 46 | 14 | 550 | 12252 | 112 |
| 47 | 13 | 550 | 11008 | 101 |
| 48 | 12 | 550 | 9835 | 90 |
| 49 | 11 | 550 | 8728 | 80 |
| 50 | 10 | 550 | 7684 | 70 |
| 51 | 9 | 550 | 6699 | 61 |
| 52 | 8 | 550 | 5770 | 53 |
| 53 | 7 | 550 | 4894 | 45 |
| 54 | 6 | 550 | 4067 | 37 |
| 55 | 5 | 550 | 3286 | 30 |
| 56 | 4 | 550 | 2550 | 23 |
| 57 | 3 | 550 | 1856 | 17 |
| 58 | 2 | 550 | 1201 | 11 |
| 59 | 1 | 550 | 583 | 5 |

@8.5% for 15 years and 8% subsequently

**CHART B2**

Prem per member = 550/- -

interest rate first 15 years 8.5% subsequent 8%

| AGE | premium paying term | Premium | accumulation | Pension per month |
|---|---|---|---|---|
| 20 | 40 | 550 | 158805 | 1454 |
| 21 | 39 | 550 | 146492 | 1342 |
| 22 | 38 | 550 | 135091 | 1237 |
| 23 | 37 | 550 | 124534 | 1141 |
| 24 | 36 | 550 | 114759 | 1051 |
| 25 | 35 | 550 | 105709 | 968 |
| 26 | 34 | 550 | 97328 | 891 |
| 27 | 33 | 550 | 89569 | 820 |
| 28 | 32 | 550 | 82384 | 755 |
| 29 | 31 | 550 | 75732 | 694 |
| 30 | 30 | 550 | 69572 | 637 |
| 31 | 29 | 550 | 63868 | 585 |
| 32 | 28 | 550 | 58587 | 537 |
| 33 | 27 | 550 | 53696 | 492 |
| 34 | 26 | 550 | 49170 | 450 |
| 35 | 25 | 550 | 44978 | 412 |
| 36 | 24 | 550 | 41096 | 376 |
| 37 | 23 | 550 | 37502 | 343 |
| 38 | 22 | 550 | 34174 | 313 |
| 39 | 21 | 550 | 31093 | 285 |
| 40 | 20 | 550 | 28239 | 259 |
| 41 | 19 | 550 | 25598 | 234 |
| 42 | 18 | 550 | 23151 | 212 |
| 43 | 17 | 550 | 20887 | 191 |
| 44 | 16 | 550 | 18789 | 172 |
| 45 | 15 | 550 | 16846 | 154 |
| 46 | 14 | 550 | 14978 | 137 |
| 47 | 13 | 550 | 13254 | 121 |
| 48 | 12 | 550 | 11666 | 107 |
| 49 | 11 | 550 | 10202 | 93 |
| 50 | 10 | 550 | 8853 | 81 |
| 51 | 9 | 550 | 7609 | 70 |
| 52 | 8 | 550 | 6463 | 59 |
| 53 | 7 | 550 | 5407 | 50 |
| 54 | 6 | 550 | 4433 | 41 |
| 55 | 5 | 550 | 3536 | 32 |
| 56 | 4 | 550 | 2709 | 25 |
| 57 | 3 | 550 | 1947 | 18 |
| 58 | 2 | 550 | 1244 | 11 |
| 59 | 1 | 550 | 597 | 5 |

@10% for 15 years and 9.5% subsequently

**CHART B3**

Prem per member = 550/- -

interest rate first 15 years 10.0% subsequent 9.5%

| AGE | premium paying term | Premium | accumulation | Pension per month |
|---|---|---|---|---|
| 20 | 40 | 550 | 240802 | 2205 |
| 21 | 39 | 550 | 219360 | 2009 |
| 22 | 38 | 550 | 199779 | 1830 |
| 23 | 37 | 550 | 181896 | 1666 |
| 24 | 36 | 550 | 165565 | 1516 |
| 25 | 35 | 550 | 150651 | 1380 |
| 26 | 34 | 550 | 137031 | 1255 |
| 27 | 33 | 550 | 124593 | 1141 |
| 28 | 32 | 550 | 113233 | 1037 |
| 29 | 31 | 550 | 102859 | 942 |
| 30 | 30 | 550 | 93385 | 855 |
| 31 | 29 | 550 | 84734 | 776 |
| 32 | 28 | 550 | 76832 | 704 |
| 33 | 27 | 550 | 69616 | 638 |
| 34 | 26 | 550 | 63027 | 577 |
| 35 | 25 | 550 | 57009 | 522 |
| 36 | 24 | 550 | 51513 | 472 |
| 37 | 23 | 550 | 46493 | 426 |
| 38 | 22 | 550 | 41910 | 384 |
| 39 | 21 | 550 | 37724 | 345 |
| 40 | 20 | 550 | 33901 | 310 |
| 41 | 19 | 550 | 30410 | 279 |
| 42 | 18 | 550 | 27221 | 249 |
| 43 | 17 | 550 | 24310 | 223 |
| 44 | 16 | 550 | 21651 | 198 |
| 45 | 15 | 550 | 19222 | 176 |
| 46 | 14 | 550 | 16925 | 155 |
| 47 | 13 | 550 | 14836 | 136 |
| 48 | 12 | 550 | 12937 | 118 |
| 49 | 11 | 550 | 11211 | 103 |
| 50 | 10 | 550 | 9642 | 88 |
| 51 | 9 | 550 | 8216 | 75 |
| 52 | 8 | 550 | 6919 | 63 |
| 53 | 7 | 550 | 5740 | 53 |
| 54 | 6 | 550 | 4668 | 43 |
| 55 | 5 | 550 | 3694 | 34 |
| 56 | 4 | 550 | 2808 | 26 |
| 57 | 3 | 550 | 2003 | 18 |
| 58 | 2 | 550 | 1271 | 12 |
| 59 | 1 | 550 | 605 | 6 |

Dear Dr. Arjun Sen Gupta,

This has reference to the discussions we had during the meeting called by National Commission on Unorganised Workers on 23rd September, 2005. During the meeting you had suggested that the effect of deaths of members if shown separately will reduce the subsidy required.

I am therefore enclosing two charts in Annexure A and B. Annexure A shows the amount of pension per month available for Defined Contribution of Rs. 400/- p.a. at various ages from 20 to 59 with pension starting age is 60. This does not take into account the mortality assumptions of the group. It is assumed that the accumulated amount will be refunded to the diseased nominees.

Annexure B is for assumed 3 crore population distributed age-wise from age 20 to 59 for a pension of Rs. 300 per month starting at age 60. It is assumed that the balance in the fund of the diseased members will be pooled back to the fund instead of returning the same to the members. The mortality assumptions are at 94-96 mortality rates raised to 175%. Interest assumptions are at 6% for first 15 years and 5.5% thereafter. Assumptions of expenses are mentioned at the end of Annexure B.

It will be observed from the Annexure B that the additional subsidy required for payment of pension of Rs. 300 per month is getting reduced year after year.

**Illustration :**

With assumed 725268 members at age 59 joining the scheme with contribution of Rs. 400/- will have a balance of Rs. 407 each at the end of one year and with experience of census mortality out of them 710103 will survive at age 60 and will be entitled for pension of Rs. 300 per month. The contribution of all those from age 20 to 59 who have died in the first year of the scheme comes to 7 crores in the first year while the total of the contribution of the members who are alive, out of those who have entered at age 59 is 29 crs. The corpus required for payment of pension of Rs. 300 per month at age 60 for the 710103 surviving members at age 60 is Rs. 2587 crores. Out of this the contribution of diseased members will be Rs. 7 crores and the one year surviving members who entered at age 59 will be 29 crores and hence the additional subsidy that will be required in year one will be Rs. 2552 crores (2587-7-29) with approximation.

I hope that the Annexure B will be useful in making projections.

With regards,

Yours sincerely,

(Nilesh B. Sathe)

Dr. Arjun Sen Gupta,
Chairman,
National Commission for Enterprises
In the Unorganised Sector,
Governemnt of India,
1st Floor, jawahar Vyapar Bhawan,
1, Tolstoy Marg,
NEW DELHI – 110 001.

This may be treated as most immediate as Presentation is likely to be made during last week of this month.

With warm regards

Yours sincerely,

(Manohar Lal)

Shri Nilesh Sathe
Chief (SBU-P&GS),
Life Insurance Corporation of India,
Central Office, "Yogakshema", Jeevan Bima Marg,
P.B. No. 19953, Mumbai-400021.

4th October, 2005

Dear Shri Manohar Lal,

This has reference to your D.O. letter No. M-21022/8/2004-RW (Vol.II) dated 15th September, 2005. You had requested to work out the financial implications keeping in view the following parameters :

(a) Life-cum-accident insurance cover (Rs. 5,000/- in case of natural death and Rs. 40,000/- in case of death due to accident);
(b) Health insurance of Rs. 6,000/- per annum;
(c) Maternity benefit of Rs. 500/- per child upto two live births;
(d) A Pension scheme as per the table attached; and
(e) Coverage of one crore workers in one year and also another model in which two crore workers are covered in five years @ 40 lakh workers in each year.
(f) The contribution of the worker would be Re. one per day per workers and the remaining expenditure would be borne by the Government.

LIC can undertake providing life insurance cover in case of natural death and pension. The health insurance, accidental cover and maternity benefit coming under the purview of non-life insurance companies. On making discreet enquiries with the non-life insurance companies, it was observed that for the benefit of Rs. 40,000 accidental cover, health insurance of Rs. 6000 p.a. and maternity benefit of Rs. 500 per child upto 2 live births, premium of Rs. 100 per person per annum may be sufficient. For providing natural death cover of Rs. 5000, LIC will need a premium of Rs. 50 per person per annum. Thus out of the contribution of workers of Rs. 365 p.a., only amount of Rs. 215 p.a. (Rs. 365 – Rs. 100 – Rs. 50) will be available for pension provision. The amount of subsidy required for pension of Rs. 300 per month without adjustment to inflationary trend has been worked out and same is given in the Annexure A and B.

Annexure A describes the amount of subsidy in crores required for covering one crore workers in one year with contribution of Rs. 215 p.a. for persons aged 20 to 59. The amount shown in the column 9 is the amount of subsidy required p.a. for payment of pension of Rs. 300 per month to those surviving members at age 60. It may be observed that in the first year the subsidy required is Rs. 856 crores.

Annexure B describes the second scenario where 40 lac workers are covered every year so that at the end of 5 years 2 crores workers are covered. The yearly subsidy required is shown in column 7 which is 342 crores in the first year and total subsidy required for the closed group of 2 crore members over a period of 45 years will be 41168 crs.

While working out Annexure A and B, the following assumptions have been made :

Mortality assumptions are at Indian Assured Lives Mortality rates (1994-96) (modified) raised to 175%. Interest assumptions are at 6% for first 15 years and 5.5% thereafter. Expense assumptions are in the accumulation stage 4% of first premium and 2.5% of renewal premium, in the annuity stage 9% of annuity instalment with inflation of 3% per annum.

We have gone through the Annexures to your letter cited above. The Annexure I shows the lump sum amount under Pension Scheme No. I. Interest assumptions seem to be more than 9.25% over such a long period which is unreasonable. The Pension Scheme No. II for 10 years enclosed to your letter shows the monthly benefit after age 60. The same is also worked out under interest assumptions of over 9.25%. Moreover this is annuity certain for 10 years. IRDA prohibits insurance companies to sell annuities certain.

With regards,

Yours sincerely,

**(NILESH SATHE)**

**Mr. Manohar Lal, I.A.S.,**
Director General Labour Welfare,
Ministry of Labour & Employment,
Jaisalmer House,
Mansingh Road,
NEW DELHI – 110 011.

Annexure 'A'

**Chart showing subsidy required in Rs. Crores for pension for Rs.300/- per month to surviving member out of one crore distributed from ages 20 to 59 on attaining age 60**

| | | | | | (in Rs. Crores) | | | | |
|---|---|---|---|---|---|---|---|---|---|
| age at entry | Members at the beginning of the scheme | Expected deaths till age 60 | number of members | Balance in fund at age 60 per member in Rs. | total amount available | Deceased members fund balance transferred back to fund | Corpus required for pension of Rs.300/- per month | Additional amount required for pension of Rs.300/- per | YEARS |
| 20 | 206003 | 3436 | 160888 | 31006 | 499 | 3 | 586 | 84 | 40 |
| 21 | 206003 | 6674 | 161168 | 29180 | 470 | 6 | 587 | 111 | 39 |
| 22 | 206003 | 9761 | 161461 | 27449 | 443 | 8 | 588 | 137 | 38 |
| 23 | 206003 | 12643 | 161763 | 25808 | 417 | 10 | 589 | 162 | 37 |
| 24 | 206003 | 15322 | 162072 | 24253 | 393 | 12 | 591 | 186 | 36 |
| 25 | 306633 | 19495 | 241712 | 22779 | 551 | 15 | 881 | 315 | 35 |
| 26 | 306633 | 23377 | 242191 | 21382 | 518 | 17 | 882 | 348 | 34 |
| 27 | 306633 | 27000 | 242677 | 20058 | 487 | 19 | 884 | 378 | 33 |
| 28 | 306633 | 30346 | 243168 | 18803 | 457 | 21 | 886 | 408 | 32 |
| 29 | 306633 | 33426 | 243665 | 17613 | 429 | 22 | 888 | 436 | 31 |
| 30 | 344535 | 36899 | 274344 | 16485 | 452 | 24 | 1000 | 524 | 30 |
| 31 | 344535 | 40094 | 274907 | 15416 | 424 | 25 | 1002 | 553 | 29 |
| 32 | 344535 | 43040 | 275471 | 14403 | 397 | 26 | 1004 | 581 | 28 |
| 33 | 344535 | 45748 | 276051 | 13442 | 371 | 27 | 1006 | 608 | 27 |
| 34 | 344535 | 48233 | 276654 | 12532 | 347 | 27 | 1008 | 634 | 26 |
| 35 | 332722 | 50316 | 267780 | 11669 | 312 | 27 | 976 | 636 | 25 |
| 36 | 332722 | 52234 | 268434 | 10851 | 291 | 27 | 978 | 660 | 24 |
| 37 | 332722 | 54010 | 269133 | 10075 | 271 | 27 | 981 | 683 | 23 |
| 38 | 332722 | 55658 | 269884 | 9341 | 252 | 26 | 983 | 705 | 22 |
| 39 | 332722 | 57176 | 270701 | 8644 | 234 | 26 | 986 | 727 | 21 |
| 40 | 163297 | 55626 | 133292 | 7984 | 106 | 24 | 486 | 355 | 20 |
| 41 | 163297 | 54153 | 133773 | 7358 | 98 | 22 | 487 | 367 | 19 |
| 42 | 163297 | 52729 | 134302 | 6765 | 91 | 20 | 489 | 378 | 18 |
| 43 | 163297 | 51413 | 134873 | 6202 | 84 | 19 | 491 | 389 | 17 |
| 44 | 163297 | 50204 | 135491 | 5669 | 77 | 17 | 494 | 400 | 16 |
| 45 | 163297 | 49109 | 136165 | 5164 | 70 | 16 | 496 | 410 | 15 |
| 46 | 163297 | 48141 | 136910 | 4662 | 64 | 14 | 499 | 421 | 14 |
| 47 | 163297 | 47301 | 137740 | 4189 | 58 | 13 | 502 | 431 | 13 |
| 48 | 163297 | 46594 | 138666 | 3742 | 52 | 12 | 505 | 441 | 12 |
| 49 | 163297 | 46022 | 139702 | 3321 | 46 | 11 | 509 | 452 | 11 |
| 50 | 241756 | 47022 | 208547 | 2923 | 61 | 10 | 760 | 689 | 10 |
| 51 | 241756 | 48077 | 210478 | 2548 | 54 | 9 | 767 | 704 | 9 |
| 52 | 241756 | 49196 | 212643 | 2194 | 47 | 8 | 775 | 720 | 8 |
| 53 | 241756 | 50350 | 215068 | 1860 | 40 | 8 | 784 | 736 | 7 |
| 54 | 241756 | 51541 | 217779 | 1545 | 34 | 7 | 794 | 753 | 6 |
| 55 | 241756 | 52757 | 220808 | 1248 | 28 | 6 | 805 | 771 | 5 |
| 56 | 241756 | 53991 | 224189 | 968 | 22 | 5 | 817 | 791 | 4 |
| 57 | 241756 | 55240 | 227952 | 704 | 16 | 4 | 831 | 811 | 3 |
| 58 | 241756 | 56505 | 232134 | 454 | 11 | 2 | 846 | 833 | 2 |
| 59 | 241756 | 57804 | 236701 | 219 | 5 | 1 | 862 | 856 | 1 |

## Annexure 'B'

If 40 lac members are joining the scheme every year for the next 5 years amount of subsidy required every year in Crores for pension of Rs.300/- per month to the surviving members out of the total of 2 crore members spread in 5 years

**Yearly subsidy required in Rs. Crores**

| | Year | | | | | |
|---|---|---|---|---|---|---|
| Years | 1 | 2 | 3 | 4 | 5 | Total Subsidy |
| 1 | 342.4 | | | | | 342.4 |
| 2 | 333.1 | 342.4 | | | | 675.6 |
| 3 | 324.4 | 333.1 | 342.4 | | | 1000.0 |
| 4 | 316.2 | 324.4 | 333.1 | 342.4 | | 1316.2 |
| 5 | 308.5 | 316.2 | 324.4 | 333.1 | 342.4 | 1624.7 |
| 6 | 301.3 | 308.5 | 316.2 | 324.4 | 333.1 | 1583.6 |
| 7 | 294.4 | 301.3 | 308.5 | 316.2 | 324.4 | 1544.9 |
| 8 | 287.9 | 294.4 | 301.3 | 308.5 | 316.2 | 1508.3 |
| 9 | 281.6 | 287.9 | 294.4 | 301.3 | 308.5 | 1473.7 |
| 10 | 275.5 | 281.6 | 287.9 | 294.4 | 301.3 | 1440.7 |
| 11 | 180.7 | 275.5 | 281.6 | 287.9 | 294.4 | 1320.1 |
| 12 | 176.5 | 180.7 | 275.5 | 281.6 | 287.9 | 1202.2 |
| 13 | 172.4 | 176.5 | 180.7 | 275.5 | 281.6 | 1086.8 |
| 14 | 168.2 | 172.4 | 176.5 | 180.7 | 275.5 | 973.4 |
| 15 | 164.0 | 168.2 | 172.4 | 176.5 | 180.7 | 861.8 |
| 16 | 159.8 | 164.0 | 168.2 | 172.4 | 176.5 | 841.0 |
| 17 | 155.6 | 159.8 | 164.0 | 168.2 | 172.4 | 820.0 |
| 18 | 151.2 | 155.6 | 159.8 | 164.0 | 168.2 | 798.9 |
| 19 | 146.8 | 151.2 | 155.6 | 159.8 | 164.0 | 777.4 |
| 20 | 142.1 | 146.8 | 151.2 | 155.6 | 159.8 | 755.6 |
| 21 | 290.6 | 142.1 | 146.8 | 151.2 | 155.6 | 886.3 |
| 22 | 282.0 | 290.6 | 142.1 | 146.8 | 151.2 | 1012.7 |
| 23 | 273.1 | 282.0 | 290.6 | 142.1 | 146.8 | 1134.6 |
| 24 | 263.9 | 273.1 | 282.0 | 290.6 | 142.1 | 1251.8 |
| 25 | 254.5 | 263.9 | 273.1 | 282.0 | 290.6 | 1364.1 |
| 26 | 253.8 | 254.5 | 263.9 | 273.1 | 282.0 | 1327.3 |
| 27 | 243.3 | 253.8 | 254.5 | 263.9 | 273.1 | 1288.6 |
| 28 | 232.4 | 243.3 | 253.8 | 254.5 | 263.9 | 1247.9 |
| 29 | 221.2 | 232.4 | 243.3 | 253.8 | 254.5 | 1205.1 |
| 30 | 209.4 | 221.2 | 232.4 | 243.3 | 253.8 | 1160.1 |
| 31 | 174.6 | 209.4 | 221.2 | 232.4 | 243.3 | 1080.9 |
| 32 | 163.2 | 174.6 | 209.4 | 221.2 | 232.4 | 1000.8 |
| 33 | 151.3 | 163.2 | 174.6 | 209.4 | 221.2 | 919.7 |
| 34 | 139.0 | 151.3 | 163.2 | 174.6 | 209.4 | 837.5 |
| 35 | 126.2 | 139.0 | 151.3 | 163.2 | 174.6 | 754.3 |
| 36 | 74.2 | 126.2 | 139.0 | 151.3 | 163.2 | 654.0 |
| 37 | 64.8 | 74.2 | 126.2 | 139.0 | 151.3 | 555.5 |
| 38 | 54.9 | 64.8 | 74.2 | 126.2 | 139.0 | 459.1 |
| 39 | 44.5 | 54.9 | 64.8 | 74.2 | 126.2 | 364.6 |
| 40 | 33.8 | 44.5 | 54.9 | 64.8 | 74.2 | 272.2 |
| 41 | | 33.8 | 44.5 | 54.9 | 64.8 | 197.9 |
| 42 | | | 33.8 | 44.5 | 54.9 | 133.2 |
| 43 | | | | 33.8 | 44.5 | 78.3 |
| 44 | | | | | 33.8 | 33.8 |
| | | | | | | 41168 |

2nd November, 2005

Dear Shri Chaturvedi,

**Re : Pension Scheme for unorganized workers**

I invite your kind reference to telephonic talk I had with you this morning. As informed I got a call from Shri S. Krishnan, Personal Secretary to Shri P. Chidambaram, Hon'ble Finance Minister enquiring as to if any scheme of Pension for the unorganized workers is being formulated by LIC. I would like to inform you that although LIC has not formulated any such scheme, we have been associated by National Commission for Enterprises in the unorganized sector (NCEUS), Dr. Bhalchandra Mungekar, Member, Planning Commission & Ministry of Labour and Employment, New Delhi to assist them in making projections of corpus required for Defined Benefit Pension Scheme for the unorganized workers and the subsidy required for implementing the scheme. Since Shri Krishnan may get in touch with you for the details, I am enclosing the various projections made by LIC and submitted to the Government.

For the sake of clarity I may mention that any scheme if required to be formulated and implemented by LIC, the same will have to be worked out only on actuarial principle as also as per the relevant provisions of Insurance Act 1938, LIC Act 1956 read together with IRDA Regulations. The projections mentioned in the enclosures have been made as per the requirements of the various government agencies and it should in no way be construed as LIC's commitment in implementing the scheme as per the estimates.

With regards,

Yours sincerely,

(A. K. Shukla)

**Shri G. C. Chaturvedi, IAS**
Jt. Secretary (Banking & Insurance),
Ministry of Finance,
Department of Economic Affairs,
Insurance Division, Jeevan Vihar,
3rd Floor, Parliament Street,
NEW DELHI – 110 001.

14th November, 2005

Dear Ms. Jayanti,

**Re : Projection of subsidy under revised KSSSY**

As per our discussion on Saturday 12th Nov., the projection of subsidy under revised KSSSY is attached as Annexure 1.

You will observe :-

1) The working is for 1 crore persons from age 20 - 49 for the benefits mentioned in the Annexure.
2) For pension of Rs. 300 p.m the corpus required is Rs. 32757 which is built up over a period of 25 yrs. with contribution of Rs. 830 p.a and survival benefit of Rs. 4000 paid at the end of 10 yrs and 20 yrs.
3) The scheme does not envisage payment of pension unless contribution for atleast 10 yrs is paid by the members.
4) Subsidy is required for payment of pension of Rs. 300 p.m only for 15 yrs. starting from 11th year as can be seen from column 6.
5) The total subsidy decreases year after year in the first 10 yrs. and becomes nil at the end of 30 yrs.
6) It is assumed that the members who die before attainment of age 60, will be entitled for refund of their contribution.

The following chart will explain the subsidy required in the 1st year, 2nd year, 3rd year, 5th year and for 40 years.

| Persons covered (in crores) | Subsidy Required (in crores) | | | | |
|---|---|---|---|---|---|
| | 1st yr | 2nd yr | 3rd yr | 5th yr | 40yrs |
| 1 | 830 | 811 | 792 | 753 | 17968 |
| 11 (Landless Agri. Labours) | 9130 | 8921 | 8712 | 8283 | 197648 |
| 21 (Agri. Labours) | 17430 | 17031 | 16632 | 15813 | 377328 |
| 37 (Unorganised Workers) | 30710 | 30007 | 29304 | 27861 | 66481 |

If any further clarification is required, kindly feel free to contact me on my mobile 09892526851.

With regards,

Yours sincerely,

(Nilesh Sathe)

Ms. Jayanti Ravi, IAS,
Director,
National Advisory Council,
NEW DELHI.

**PROJECTION OF SUBSIDY FOR 1 CRORE PERSONS FROM AGE 20 TO 49 UNDER REVISED KSSSY FOR FOLLOWING BENEFITS**

1. NATURAL DEATH COVER - Rs. 20,000
2. ACCIDENTAL DEATH COVER - Rs. 50,000
3. SURVIVAL BENEFIT EVERY 10 YRS. - Rs. 4,000
4. GUARANTEED PENSION FOR LIFE - Rs. 300 P.M TO Rs. 800 P.M

| | | | | AMOUNT IN CRORES | | | | |
|---|---|---|---|---|---|---|---|---|
| YEAR | Total members for whom contribution is to be paid(1) | Number of members at age 60 to get pension(2) | Accumultion per member at 60 (in Rs.)(3) | Total amount available (4)=(2)*(3)/10000000 | Amount required for pension of Rs.300 per month (5)=(2)*P.P./10000000 | Additional subsidy required (6) | Total subsidy required for 830 prem (7)=(1)*830/10000000 | Total subsidy (8)=(6)+(7) |
| 1 | 10000000 | 0 | 0 | 0 | 0 | 0 | 830 | 830 |
| 2 | 9775994 | 0 | 0 | 0 | 0 | 0 | 811 | 811 |
| 3 | 9546916 | 0 | 0 | 0 | 0 | 0 | 792 | 792 |
| 4 | 9312971 | 0 | 0 | 0 | 0 | 0 | 773 | 773 |
| 5 | 9074441 | 0 | 0 | 0 | 0 | 0 | 753 | 753 |
| 6 | 8831611 | 0 | 0 | 0 | 0 | 0 | 733 | 733 |
| 7 | 8474318 | 0 | 0 | 0 | 0 | 0 | 703 | 703 |
| 8 | 8110751 | 0 | 0 | 0 | 0 | 0 | 673 | 673 |
| 9 | 7741277 | 0 | 0 | 0 | 0 | 0 | 643 | 643 |
| 10 | 7366289 | 0 | 0 | 0 | 0 | 0 | 611 | 611 |
| 11 | 6986163 | 219031 | 8582 | 188 | 717 | 530 | 580 | 1109 |
| 12 | 6559242 | 219413 | 10188 | 224 | 719 | 495 | 544 | 1040 |
| 13 | 6126930 | 219811 | 11892 | 261 | 720 | 459 | 509 | 967 |
| 14 | 5689584 | 220223 | 13700 | 302 | 721 | 420 | 472 | 892 |
| 15 | 5247526 | 220643 | 15619 | 345 | 723 | 378 | 436 | 814 |
| 16 | 4801049 | 329064 | 17528 | 577 | 1078 | 501 | 398 | 900 |
| 17 | 4363637 | 329717 | 19542 | 644 | 1080 | 436 | 362 | 798 |
| 18 | 3922557 | 330378 | 21666 | 716 | 1082 | 366 | 326 | 692 |
| 19 | 3477954 | 331047 | 23908 | 791 | 1084 | 293 | 289 | 582 |
| 20 | 3029943 | 331723 | 26272 | 872 | 1087 | 215 | 251 | 467 |
| 21 | 2578620 | 373490 | 21559 | 805 | 1223 | 418 | 214 | 632 |
| 22 | 2316609 | 374255 | 23794 | 891 | 1226 | 335 | 192 | 528 |
| 23 | 2056077 | 375023 | 26153 | 981 | 1228 | 248 | 171 | 418 |
| 24 | 1796887 | 375813 | 28641 | 1076 | 1231 | 155 | 149 | 304 |
| 25 | 1538825 | 376634 | 31266 | 1178 | 1234 | 56 | 128 | 184 |
| 26 | 1281672 | 364554 | 34035 | 1241 | 1194 | 0 | 106 | 106 |
| 27 | 1025187 | 365443 | 36957 | 1351 | 1197 | 0 | 85 | 95 |
| 28 | 769089 | 366395 | 40039 | 1467 | 1200 | 0 | 64 | 64 |
| 29 | 513077 | 367417 | 43291 | 1591 | 1204 | 0 | 43 | 43 |
| 30 | 256829 | 368530 | 46722 | 1722 | 1207 | 0 | 21 | 21 |
| 31 | 0 | 181463 | 43133 | 783 | 594 | 0 | 0 | 0 |
| 32 | 0 | 182117 | 46555 | 848 | 597 | 0 | 0 | 0 |
| 33 | 0 | 182837 | 50165 | 917 | 599 | 0 | 0 | 0 |
| 34 | 0 | 183615 | 53974 | 991 | 601 | 0 | 0 | 0 |
| 35 | 0 | 184456 | 57992 | 1070 | 604 | 0 | 0 | 0 |
| 36 | 0 | 185374 | 62231 | 1154 | 607 | 0 | 0 | 0 |
| 37 | 0 | 186388 | 66704 | 1243 | 611 | 0 | 0 | 0 |
| 38 | 0 | 187518 | 71422 | 1339 | 614 | 0 | 0 | 0 |
| 39 | 0 | 188778 | 76400 | 1442 | 618 | 0 | 0 | 0 |
| 40 | 0 | 190188 | 81652 | 1553 | 623 | 0 | 0 | 0 |
| total | | | | | 27225 | 5305 | 12663 | 17968 |

ASSUMPTIONS : 1) MORTALITY - INDIAN ASSURED LIVES MORTALITY RATES (1994-96) RAISED TO 175 %
2) INTEREST - 6% FOR FIRST 15 YRS. AND 5.5% THEREAFTER
3) EXPENSES - (a) ACCUMULATION STAGE - 4% OF FIRST PREMIUM AND 2.5% OF RENEWAL PREMIUM
(b) PAYOUT STAGE OR ANNUITY STAGE - 9% OF ANNUITY INSTALMENT WITH INFLATION OF 3% P.A

N.B. SATHE
CHIEF (P&GS)
LIC OF INDIA
13/11/2005

## LIC'S PROJECTIONS FOR REQUIREMENT OF FUNDS UNDER NAC'S PROPOSAL ON SOCIAL SECURITY SCHEME FOR UNORGANISED SECTOR WORKERS

## KRISHI SHRAMIK SAMAJIK SURAKSHA YOJANA-2001 (KSSSY-2001)

- LAUNCHED IN JULY 2001 ON PILOT BASIS FOR THREE YEARS
  (TO BE RE-EVALUATED THEREAFTER)
- ELIGIBILITY: AGRICULTURE WORKERS
- COVERAGE: 20000 WORKERS PER DISTRICT IN 50 DISTRICTS
- AGE: 18-50 YEARS
- BENEFITS:

| | |
|---|---|
| Natural Dealth | Rs. 20000 |
| Death due to Accident | Rs. 50000 |
| Money Back (After every 10 years) | Rs. 4000 |
| Pension | Rs. 100-1900 |

## KSSSY-2001- CONTD.

- CONTRIBUTIONS:

| | |
|---|---|
| Worker | Re. 1 per day |
| Government (SSF) | Rs..2 per day |

- ACTUAL COVERAGE:

| | |
|---|---|
| 2001-02 | 101209 |
| 2002-03 | 138235 |
| 2003-04 | 57044 |
| 2004-05 | 36810 |

- SCHEME CLOSED ON 31.03.2004 AS PER ADVICE OF GOVERNMENT DUE TO PAUCITY OF FUNDS

## SCHEME PROPOSED BY NATIONAL ADVISORY COUNCIL (NAC)

- ELIGIBILITY: Unorganised Workers In Age Group 20-59
- BENEFITS:

| | |
|---|---|
| Natural Death: | Rs. 5000 |
| Accidental Death: | Rs. 40000 |
| Health Insurance: | Rs. 6000 p.a. |
| Maternity Benefit: | Rs. 500 per child (2 live births) |
| Pension: | Rs. 300 p.m. |

## NAC SCHEME CONTD.

- CONTRIBUTIONS: Worker Re. 1 per day
- PREMIUM:

  Natural Death: Rs. 50 P.A.

  Health Insurance, Maternity and Accident Cover: Rs. 100 P.A.
- PENSION:

  Amount Available Rs. 215 P.A.

  (From Worker's Contribution)

**PROJECTION OF FUNDS REQUIRED TOWARDS CORPUS FOR PENSION**

(For Guaranteed Pension of Rs. 300 P.M.)

(Amount in Crore)

| Coverage of Workers | 1st Year | 2nd Year | 3rd Year | 5th Year | 40 Years |
|---|---|---|---|---|---|
| 1 crore | 856 | 833 | 811 | 771 | 20584 |
| 11 crores (Agr. Landless Labours) | 9416 | 9163 | 8921 | 8481 | 226424 |
| 21 crores (Agr. Labours) | 17976 | 17493 | 17031 | 16191 | 432264 |
| 37 crores (unorganised workers) | 31672 | 30821 | 30007 | 28527 | 761608 |

**PROJECTION OF FUNDS REQUIRED TOWARDS PENSION WITHOUT CREATING CORPUS (DIRECT OUTGO FROM BUDGET)**

**(Rs. 300 P.M. Guaranteed Pension) (Amount in crore)**

| Coverage of Workers | 1st Year | 2nd Year | 3rd Year | 5th Year | 10th Year | 20th Year |
|---|---|---|---|---|---|---|
| 1 crore | 85 | 168 | 250 | 411 | 795 | 1284 |
| 11 crores (Agr. Landless Labours) | 935 | 1848 | 2750 | 4521 | 8745 | 14124 |
| 21 crores (Agr. Labours) | 1785 | 3528 | 5250 | 8631 | 16695 | 26964 |
| 37 crores (Unorganised Workers) | 3145 | 6216 | 9250 | 15207 | 29415 | 47508 |

Ann. X

File No. M-21022/08/2004-RW (Vol.II)
Government of India
Ministry of Labour & Employment

– 6 JAN 2005

Jaisalmer House, Man Singh Road
New Delhi dated the 04.01.2006

Re-Settle - Ol. S for
b
9-1-06

OFFICE MEMORANDUM

**Subject: Unorganised Sector Workers' Bill, 2004-Meeting with the Life Insurance Corporation of India-regarding**

A proposal for enactment of a comprehensive legislation for unorganized sector workers and formulation of a social security scheme is under consideration of the Ministry of Labour and Employment.

A Committee of Secretaries (COS) has been constituted under the Chairmanship of Cabinet Secretary with Member Secretary, Planning Commission; Secretary (L&E) & Secretary Expenditure as members to verify the numbers, estimate possible Government contribution, list out various issues including those related to modalities of implementation and collate and evaluate various state level initiatives. It has also been decided that LIC would first carry out a detailed exercise based on actuarial analysis which would be examined by the COS. The LIC was requested to work out the expenditure involved for implementation of the schemes. A copy of the letter addressed to LIC is enclosed.

To review the progress on the above mentioned projections, a meeting would be held under the Chairmanship of Secretary (L&E) on **20th January, 2006 (Friday) at 10.00 A.M. in the Board Room of the LIC Central Office, "Yogakshema" Jeevan Bima Marg, Mumbai-400021.** You are requested to kindly make it convenient to attend the meeting.

Sd/- 4/1/06
(Suraj Bhan)
Director
Tele/fax: 23384891

Shri K.K. Jaswal, Member Secretary, NCEUS, 19th Floor, Jawahar Vyapar Bhawan, 1, Tolstoy Marg, New Delhi.

Shri G.C. Chaturvedi, Joint Secretary, Ministry of Finance, Insurance Division, Deptt. of Economic Affairs, Jeevan Vihar Building, New Delhi.

Smt. Rama Murali, FA (L&E), Ministry of Labour & Employment, Shram Shakti Bhawan, New Delhi

Shri Shailendra Sharma, Adviser (LEM), LEM Division, Planning Commission, Yojana Bhawan, New Delhi.

Copy to: Shri Nilesh Sathe, Chief (SBU-P&GS), Life Insurance Corporation of India, Central Office, "Yogakshema", Jeevan Bima Marg, P.B. No. 19953, Mumbai-400021 with the request to make a presentation as requested vide letter refer to above.

**Copy for information to: PPS to Secretary (L&E), PA to DG (LW)**

MANOHAR LAL, I.A.S.
Tele Fax : 23383684

महानिदेशक श्रम कल्याण
श्रम एवं रोजगार मंत्रालय
जैसलमेर हाऊस
मान सिंह रोड
नई दिल्ली-११००११
DIRECTOR GENERAL LABOUR WELFARE
MINISTRY OF LABOUR & EMPLOYMENT
JAISALMER HOUSE
MANSINGH ROAD,
NEW DELHI-110011

D.O. No. M-21022/8/2004-RW (Vol.II)

Dated 22.12.2005

Dear

You may please recall that the Hon'ble Prime Minister held a meeting on 18th November, 2005 to review the progress of drafting of a Bill for the unorganized sector workers and also formulation of social security schemes for these workers. In this regard, Shri Nilesh Sathe, Chief (SBU-P&GS) made a Presentation on the proposed social security scheme for the unorganized sector workers. The PMO has, now, communicated the decisions agreed upon in that meeting which, inter-alia, include that the LIC would first carry out a detailed exercise based on actuarial analysis, which would be examined by a Committee of Secretaries (COS).

It is understood that besides a scheme as drafted by the National Advisory Council (NAC), another scheme had been drafted by the National Commission for Enterprises in the Unorganised Sector (NECUS). In addition to these schemes there is the original KSSSY-2001 as well as its re-modelled version as worked out by the LIC. The proposed schemes are enclosed. The LIC may, therefore, immediately work out the estimated expenditure required for implementation of each scheme for a particular number of workers. The calculation in regard to pension should be based on actuarial analysis. It may also be indicated whether the LIC would be able to implement all components of the scheme i.e. health insurance and maternity benefits by coordinating with the concerned General Insurance Agencies. These projections would be placed before the Committee of Secretaries (COS) in its first meeting to be held under the chairmanship of Cabinet Secretary in the first week of January 2006. The Secretary

SCHEMES

| S. No | Scheme | Benefits (in Rs.) | | | | | Estimated Expenditure (No. of workers in crores | | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Natural death | Accidental death /disability | Maternity benefit | Health insurance | Pension per month | Landless agri. workers | Agri. Workers | Agri. Workers including Small/marginal farmers | All workers | |
| 1. | NAC | 5000 | 40,000 | 500 for two births | 6000 | 300 | 1 | 11 | 21 | 37 | |
| 2. | Original KSSSY-01 | 20000 | 50000 | | | 100 and above | 1 | 11 | 21 | 37 | With money back component |
| 3. | NCEUS | On the line of Unit Linked Insurance-cum-Pension Plan | 25000 | 1000 | 15000 | Min. 200 | 1 | 11 | 21 | 37 | |
| 4. | Re-modelled KSSSY | 20000 | 50000 | - | - | - | 1 | 11 | 21 | 37 | With money back component |

LIC OF INDIA
CENTRAL OFFICE, MUMBAI
HEARTILY WELCOMES

DR. BHALCHANDRA MUNGEKAR
MEMBER (LEM) PLANNING COMMISSION

DR. K P. KANNAN
MEMBER, NCEUS

MR. K. M. SAHNI
SECRETARY (L&E)

MR. GIRISH CHATURVEDI
JT. SECRETARY (BANKING & INSURANCE)

MR. MANOHARLAL,
JT. SECRETARY DGLW

AND OTHER DIGNITORIES

**PRESENTATION ON PROJECTED EXPENDITURE UNDER VARIOUS PROPOSALS OF**

A. NATIONAL ADVISORY COUNCIL
B. NCEUS
C. ORIGINAL KSSSY-01
D. REMODELLED KSSSY-05

**NATIONAL COMMON MINIMUM PROGRAMME (NCMP)**

THE UPA GOVERNMENT IS COMMITTED TO ENSURE THE WELFARE AND WELL-BEING OF ALL WORKERS. PARTICULARLY, THOSE IN THE UNORGANISED SECTOR WHO CONSTITUTE 93% OF OUR WORK FORCE. SOCIAL SECURITY, HEALTH INSURANCE AND OTHER SCHEMES FOR SUCH WORKERS LIKE BEEDI WORKERS... WILL BE EXPANDED.

- A COMMITMENT TO THE NATION

**PLANNING COMMISSION, MINISTRY OF LABOUR (MOL) NATIONAL ADVISORY COUNCIL (NAC) AND NATIONAL COMMISSION FOR ENTERPRISES IN THE UNORGANISED SECTOR (NCEUS) STARTED WORKING ON HOW TO FULFIL THE COMMITMENT**

## QUESTIONS AROSE

1. SCALE OF BENEFITS ?
2. COVERAGE-FEW-MANY-ALL ?
3. CONTRIBUTION FROM WORKER ?
4. SCIENTIFIC PROJECTION OF COST ?
5 On-going benefits.

**IT WAS DECIDED TO TAKE HELP OF LIC OF INDIA TO WORK OUT ACTUARIAL PROJECTIONS FOR VARIOUS BENEFITS AND PARAMETERS CONSIDERED BY ALL THE GOVERNMENTAL AGENCIES VIZ. MOL, NAC AND NCEUS**

A PROUD MOMENT FOR
LIC OF INDIA
ASSOCIATED WITH MOL
FOR MAKING PRESENTATION ON
PEOJECTIONS BEFORE HONOURABLE
PRIME MINISTER, DY. CHAIRMAN,
PLANNING COMMISSION AT PMO
ON 18TH NOVEMBER, 2005

## OUTCOME OF THE MEETING ON 18.11.2005

- COMMITTEE OF SECRETARIES (COS) CONSTITUTED UNDER CHAIRMANSHIP OF CABINET SECRETARY, WITH MEMBER SECRETARY, PLANNING COMMISSION, SECRETARY (L&E) & SECRETARY EXPENDITURE AS MEMBERS.

## ISSUES :

- TO VERIFY THE NUMBERS
- ESTIMATE POSSIBLE GOVERNMENT CONSTRIBUTION
- LIST OUT VARIOUS ISSUES RELATING TO
  - IMPLEMENTATION
- COLLATE AND EVALUATE VARIOUS STATE LEVEL INITIATIVES.
- LIC TO CARRY OUT DETAILED EXERCISE BASED ON ACTUARIAL ANALYSIS

- LIC TO WORK OUT THE EXPENDITURE INVOLVED IN IMPLEMENTATION OF THE SCHEMES.
- COMMITTEE OF SECRETARIES (COS) TO EXAMINE THE ABOVE.
- LIC TO INDICATE IF IT WOULD BE ABLE TO IMPLEMENT ALL COMPONENTS OF THE SCHEME

  VIZ HEALTH INSURANCE, MATERNITY BENEFIT, ACCIDENT INSURANCE BY COORDINATING WITH GENERAL INSURANCE AGENCIES

LIC APPROACHED THE FOUR NON-LIFE PSU COMPANIES VIZ

NEW INDIA
UNITED INDIA
ORIENTAL &
NATIONAL

AS TO
(I) WHETHER THEY DESIRE TO BE ASSOCIATED WITH IMPLEMENTATION
(II) COSTING (PREMIUM) FOR NON-LIFE BENEFITS

- ALL THE FOUR NON-LIFE PSU COMPANIES HAVE EXPRESSED THEIR WILLINGNESS TO JOIN LIC IN IMPLEMENTATION OF THE SCHEME.
- PREMIUM RATES (COST) FOR THE NON-LIFE INSURANCE BENEFITS QUOTED.

## PROPOSED BENEFITS BY NATIONAL ADVISORY COUNCIL(NAC)

| | |
|---|---|
| A)NATURAL DEATH | : Rs.5,000/ |
| B)ACCIDENTAL DEATH/ DISABILITY | : Rs.40,000/- |
| C)MATERNITY BENEFIT | : Rs.500/- for two births. |
| D)HEALTH INSURANCE | : Rs.6,000/- |
| E) PENSION PER MONTH | : Rs. 300/- minimum |

## NAC PROJ. CONTD..

### COSTING OF BENEFITS

| | CO.A | CO.B | CO.C | CO.D |
|---|---|---|---|---|
| WITH HEALTH NSURANCE FOR ONE PERSON | 104 | 120 | 104 | 110 |
| WITH HEALTH INSURANCE FOR FAMILY OF FIVE | 126 | 148 | 132 | 146 |

PER ANNUM EXCLUDING SERVICE TAX.

CONSIDERING SCALE OF PARTICIPATION, COSTING FOR ABOVE BENEFITS ASSUMED AS Rs.100/- p.a.
FOR BENEFIT "A", PREMIUM WILL BE Rs.50 /- p.a.

## NAC PROJ. CONTD...

PROJECTION FOR FUND REQUIRED FOR BENEFIT "E" i.e. PENSION @ MINIMUM Rs.300/- p.m.

ASSUMPTIONS :

1) MORTALITY : INDIAN ASSURED LIVES MORTALITY RATES (1994-96) RAISED TO 175%
2) INTEREST : 6 % FOR FIRST 15 YEARS
   5.5 % THEREAFTER.
3) EXPENSES : a) ACCUMULATION STAGE
   4 % OF FIRST PREMIUM &
   2.5 % OF RENEWAL PREMUM.
   b) PAY OUT STAGE (ANNUITY STAGE)
   9 % OF ANNUITY INSTALMENT.
   INFLATION OF 3 % p.a.
4) PENSION STARTS AT AGE 60 AND CEASES ON DEATH.

## NAC PROJ. CONTD..

### ASSUMPTIONS :

- ACCUMULATIONS TO BE REFUNDED ON DEATH BEFORE 60 YEARS OF AGE.
- WORKER TO CONTRIBUTE Rs.365 /- p.a.
- AFTER ADJUSTING FOR LIFE AND NON-LIFE BENEFITS, WORKERS CONTRIBUTION TO PENSION FUND Rs.215/- p.a.

exp for

365 × 3 .
1095

06-07

## NAC PROJ. CONTD..

PROJECTION OF FUNDS REQUIRED TOWARDS PENSION WITHOUT CREATING CORPUS ( DIRECT OUTGO FROM BUDGET)
(MINIMUM Rs.300 /- p.m. GUARANTEED PENSION)

AMT. IN CRORES

| COVERAGE OF WORKERS | 1ST YR | 2ND YR | 3RD YR | 5TH YR | 10TH YR | 20TH YR |
|---|---|---|---|---|---|---|
| 1 CRORE | 85 | 168 | 250 | 411 | 795 | 1284 |
| 11 CRORE LANDLESS AGRI. LABOURERS | 935 | 1848 | 2750 | 4521 | 8745 | 14124 |
| 21 CRORES AGRI. LABOURERS | 1785 | 3528 | 5250 | 8631 | 16695 | 26964 |
| 37 CRORES UNORG. WORKERS | 3145 | 6216 | 9250 | 15207 | 29415 | 47508 |

## NAC PROJ. CONTD..

PROJECTION OF FUNDS REQUIRED TOWARDS CORPUS FOR PENSION
(MINIMUM Rs.300 /- p.m. GUARANTEED FOR LIFE)

AMT. IN CRORES

| COVERAGE OF WORKERS | 1ST YR | 2ND YR | 3RD YR | 5TH YR | 40 YRS |
|---|---|---|---|---|---|
| 1 CRORE | 856 | 833 | 811 | 771 | 20584 |
| 11 CRORE LANDLESS AGRI. LABOURER | 9416 | 9163 | 8921 | 8481 | 226424 |
| 21 CRORES AGRI. LABOURER | 17976 | 17493 | 17031 | 16191 | 432264 |
| 37 CRORES UNORG. WORKERS | 31672 | 30821 | 30007 | 28527 | 761608 |

2.4    28.8

24.60.

215 × 11 Cr = x    2365 Cr

36~~00~~ × 2.~~46~~00 lac.    72 Cr.    3

24

30 lac

60 lac

6 million 75 Rs. pm. 900 pa

60 Cr × 9

720 Cr

## PROPOSED BENEFITS BY NCEUS

| | |
|---|---|
| A) LIFE COVER | Rs. 15,000/- |
| B) ACCIDENTAL DEATH | Rs.25,000/- |
| C) MATERNITY BENEFIT | Rs. 1,000/- |
| D) HEALTH INSURANCE | Rs.15,000/- |
| E) PENSION | Rs.200/-p.m. |

## NCEUS PROJ. CONTD..

PROJECTION OF FUND REQUIRED FOR PENSION OF MINUMUM Rs.200 /- p.m. FOR LIFE

ASSUMPTIONS :

- FUNDS WILL BE INVESTED IN CAPITAL MARKET (AS PROPOSED BY NCEUS)
- CONTRIBUTIONS OF EVERY MEMBER TOWARDS CORPUS Rs. 550/- p.a.
- PENSION STARTS AT AGE 60
- NO BALANCE IN ACCUMULATED FUND IS RETURNED ON DEATH. (BEFORE VESTING AS WELL AS AFTER )

## NCEUS PROJ. CONTD..

ASSUMPTIONS :

- RETURN ASSUMED @ 10 % FOR FIRST 15 YRS AND 9.5 % THEREAFTER (AS PROPOSED BY NCEUS)
- MORTALITY AND EXPERIENCE ASSUMPTION SAME AS PROPOSAL OF NAC.
- ENTRY AGE 20 – 59.

## NCEUS CONTD..

PROJECTION OF FUNDS REQUIRED TOWARDS PENSION Rs. 200/- p.m. FOR LIFE WITHOUT CREATING CORPUS

AMT. IN CRORES

| COVERAGE OF WORKERS | 1ST YR | 2ND YR | 3RD YR | 5TH YR | 10TH YR | 20TH YR |
|---|---|---|---|---|---|---|
| 1 CRORE | 57 | 113 | 167 | 274 | 530 | 856 |
| 11 CRORE LANDLESS AGRI. LABOURER | 627 | 1243 | 1837 | 3014 | 5835 | 9416 |
| 21 CRORES AGRI. LABOURER | 1197 | 2373 | 3507 | 5754 | 11130 | 17976 |
| 37 CRORES UNORG. WORKERS | 2109 | 4181 | 6179 | 10138 | 19610 | 31672 |

## NCEUS CONTD..

PROJECTION OF FUNDS REQUIRED TOWARDS CORPUS FOR PENSION (MINIMUM Rs.200 /- p.m. GUARANTEED FOR LIFE)

AMT. IN CRORES

| COVERAGE OF WORKERS | 1ST YR | 2ND YR | 3RD YR | 5TH YR | 40 YRS |
|---|---|---|---|---|---|
| 1 CRORE | 503 | 479 | 454 | 404 | 4411 |
| 11 CRORE LANDLESS AGRI. LABOURER | 5533 | 5269 | 4994 | 4444 | 48521 |
| 21 CRORES AGRI. LABOURER | 10563 | 10059 | 9534 | 8484 | 92631 |
| 37 CRORES UNORG. WORKERS | 18611 | 17723 | 16798 | 14948 | 163207 |

## ORIGINAL KSSSY -2001

BENEFITS

- NATURAL DEATH : Rs.20,000 /-
- ACCIDENTAL DEATH/ PERMANENT TOTAL DISABILITY : Rs.50,000/-
- PARTIAL DISABILTIY : Rs. 25,000/-
- SURVIVAL BENEFIT EVERY 10 YEARS : Rs. 3,000/-
- PENSION GUARANTEED / MINIMUM : Rs. 100/- p.m.

SCHEME CLOSED FOR NEW ENROLLMENTS FROM DECEMBER 2003.

## ORIGINAL KSSSY-2001 CONTD..

**ELIGIBILITY :**

- AGRICULTURAL WORKERS BETWEEN 18 TO 50 YEARS OF AGE
- MINIMUM GROUP SIZE 20
- IMPLEMENTED AS PILOT IN SELECT 50 DISTRICTS
- DATE OF LAUNCH 1.7.2001

**CONTRIBUTION :**

| | |
|---|---|
| WORKER | : Rs. 365/- p.a. |
| MOL/CENTRAL GOVT. | : Rs. 730/- p.a. |
| SSF | : Rs.100/- p.a. |
| TOTAL | : Rs.1195 /- |

PROJECTION OF FUNDS REQUIRED TOWARDS MINIMUM PENSION OF Rs. 100/- p.m. FOR LIFE WITHOUT CREATING CORPUS

AMT. IN CRORES

| COVERAGE OF WORKERS | 11TH YR | 12TH YR | 13TH YR | 15TH YR | 20TH YR | 30TH YR |
|---|---|---|---|---|---|---|
| 1 CRORE | 23 | 45 | 68 | 113 | 222 | 667 |
| 11 CRORE LANDLESS AGRI. LABOURER | 253 | 495 | 748 | 1243 | 2442 | 7337 |
| 21 CRORES AGRI. LABOURER | 483 | 945 | 1428 | 2373 | 4662 | 14007 |
| 37 CRORES UNORG. WORKERS | 851 | 1665 | 2516 | 4181 | 8214 | 24679 |

SINCE PENSION WILL START ONLY AFTER 10 YEARS NO ADDITIONAL FUNDS ARE REQUIRED FOR FIRST 10 YEARS

PROJECTION OF FUNDS REQUIRED TOWARDS MINIMUM PENSION OF Rs.100 /- p.m. FOR LIFE BY CREATING CORPUS

AMT. IN CRORES

| COVERAGE OF WORKERS | 11TH YR | 12TH YR | 13TH YR | 15TH YR | 30TH YR |
|---|---|---|---|---|---|
| 1 CRORE | 44 | 14 | | | |
| 11 CRORE LANDLESS AGRI. LABOURER | 484 | 154 | | NIL | |
| 21 CRORES AGRI. LABOURER | 924 | 294 | | | |
| 37 CRORES UNORG. WORKERS | 1628 | 518 | | | |

## PROPOSED BENEFITS UNDER REMODELLED KSSSY 2005

| | |
|---|---|
| **ELIGIBILTY** | **: 18 TO 50 YRS** |
| **CONTRIBUTION** | **:** |
| **MEMBER** | **: Rs. 365 /-** |
| **GOVT.** | **: Rs. 365 /-** |
| **SSF** | **: Rs. 100/-** |

**BENEFITS SAME AS KSSSY 2001.**

## REMODELLED KSSY 2005 CONTD...

PROJECTION OF FUNDS REQUIRED TOWARDS MINIMUM PENSION OF Rs. 100/- p.m. FOR LIFE WITHOUT CREATING CORPUS

AMT. IN CRORES

| COVERAGE OF WORKERS | 11TH YR | 12TH YR | 13TH YR | 15TH YR | 20TH YR | 30TH YR |
|---|---|---|---|---|---|---|
| 1 CRORE | 23 | 45 | 68 | 113 | 222 | 667 |
| 11 CRORE LANDLESS AGRI. LABOURER | 253 | 495 | 748 | 1243 | 2442 | 7337 |
| 21 CRORES AGRI. LABOURER | 483 | 945 | 1428 | 2373 | 4662 | 14007 |
| 37 CRORES UNORG. WORKERS | 851 | 1665 | 2516 | 4181 | 8214 | 24679 |

SINCE PENSION WILL START ONLY AFTER 10 YEARS NO ADDITIONAL FUNDS ARE REQUIRED FOR FIRST 10 YEARS

## REMODELLED KSSSY 2005 CONTD..

PROJECTION OF FUNDS REQUIRED TOWARDS MINIMUM PENSION OF Rs.100 /- p.m. FOR LIFE BY CREATING CORPUS

AMT. IN CRORES

| COVERAGE OF WORKERS | 11TH YR | 12TH YR | 13TH YR | 15TH YR | 30TH YR |
|---|---|---|---|---|---|
| 1 CRORE | 120 | 101 | 81 | 60 | |
| 11 CRORE LANDLESS AGRI. LABOURER | 1320 | 1111 | 891 | 660 | NIL |
| 21 CRORES AGRI. LABOURER | 2520 | 2121 | 1701 | 1260 | |
| 37 CRORES UNORG. WORKERS | 4440 | 3737 | 2997 | 2220 | |

## AREAS OF CONCERN

FINALISING BENEFITS

- PROVISIONING OF FUNDS
- IDENTIFYING SOURCES OF FUNDS
- SELELCTION OF BENEFICIARIES
- COLLECTION OF CONTRIBUTION
- ACCOUNTING AND INVESTMENT OF FUNDS
- IDENTIFYING NODAL AGENCY
- REGULATORY ISSUES.

## THANK YOU

**Summary Record of the meeting to discuss Insurance and Pension scheme for unorganized workers held under Chairmanship of Dr. Bhalchandra Mungekar, Member (Labour & Employment), Planning Commission on 20.01.06 at LIC, Mumbai**

---

It was informed vide File No. M-21022/08/2004-RW (Vol.II) dated 4th January 2006 by Ministry of Labour and Employment, New Delhi that a meeting would be held under the Chairmanship of Secretary (Labour & Employment) on 20th January 2006 at 10 a.m. in the Board room of LIC to review the progress of the projections/actuarial analysis of expenditure involved in implementation of the proposals submitted by various agencies for the unorganized sector.

Accordingly a meeting was held on 20th January 2006 at Yogakshema, Mumbai which was presided over by Dr. Bhalchandra Mungekar, Member, Planning Commission, New Delhi.

List of participants is annexed.

Summary Record of the meeting is as follows :-

Dr. Bhalchandra Mungekar and the other dignitaries from the Government were welcomed by Mr. R. Venugopal, E.D.(P&GS) followed by Mr. Sridhar, M.D., L.I.C. offering him a bouquet of flowers. Mr. Mungekar was requested to preside over the meeting and guide the deliberations.

Dr. Mungekar in his introductory remarks observed that the National Common Minimum Programme of Govt. is committed to take measures for the welfare of unorganized workers. There is a need to formulate a scheme which will provide extensive benefits like term insurance, health insurance, maternity benefits and pension to the unorganized workers. The quantum of benefits, the extent of participation and the cost involved in extending the benefits need to be worked out in view of resources. As advised by the Ministry vide their above communication, LIC made projections for various benefits proposed by National Advisory Council, National Commission on Enterprises for Unorganised Sector, KSSSY-2001 and remodeled KSSSY-2005. It was informed that all the four non-life insurance public sector companies had given a consent to LIC to join in implementation of the scheme and they had quoted almost similar premium rates for the non-life benefits envisaged in the proposals of NAC and NCEUS. The projections were discussed at length and the following issues arose during discussion :

1) What should be the contribution from workers, the employer, State Government and the Central Government ?
2) What should be the mechanism to collect this contribution ?
3) What will be the cost of collection ?
4) What amount will be available for building up corpus for pension scheme ?

5) Whether the scheme should be implemented throughout the country or in some select district.

6) Whether the benefits should be on going.

7) How the funds should be invested ?

8) How to raise the resources ?

9) Whether LIC can implement the same or which model agency should be identified ?

10) What are the regulatory issues involved in implementation of the scheme ?

It was made clear by Mr. Sridhar that any scheme that is required to be formulated and implemented by LIC, the same will have to be worked out only on actuarial principle and as per the relevant provisions of Insurance Act 1938, LIC Act 1956 read with IRDA Regulations and Investment guidelines. The projections made in the presentation on requirement of fund is solely as per the benefits and parameters specified by NAC, NCEUS and by in no way be construed as LIC's commitment in implementing the scheme as per the estimates. This was further confirmed by Mr. G. C. Chaturvedi, Jt. Secretary (Banking & Insurance). Mr. G. N. Agarwal, Appointed Actuary, LIC was of the view that funding for pension may not be required if the contributory pension scheme is made mandatory to all people of all ages. If the minimum amount of pension is payable on joining a specified age and the scheme is optional, there is a possibility that the person of younger age will not join the scheme and the persons of higher ages who are near the pensionable age will only join the scheme in which case whatever projections were made will go haywire.

After all the four models were discussed at length, it was suggested by Dr. Mungekar that LIC should work out the projections of funds required for the following benefits :

**BENEFITS** :

| | |
|---|---|
| 1. Life cover : Natural Death | Rs. 5,000 |
| Accidental Benefit | Rs. 40,000 |
| 2. Health Insurance | Rs. 6,000/- for family |
| 3. Maternity Benefit | Rs. 1000/- for 2 births |
| 4. Pension : | 1) minimum 200 p.m. or<br>2) minimum 300 p.m. or<br>3) minimum 400 p.m. or<br>4) minimum 500 p.m.<br>guaranteed for life |

**FINANCING** :

Two models

Model 1

Worker's contribution : Rs. 365/-
Govt's contribution : Rs. 365/-

Model 2

| | |
|---|---|
| Worker's contribution | : Rs. 365/- |
| Govt's contribution | : Rs. 365/- |
| Employer | : Rs. 365/- |

Minimum deferment period for pension should be A) 5 years
B) 10 years

The members should have an option for making lumpsum contributions and minimum amount should be determined for the contribution for the person to be eligible for pension instead of set duration for payment of contribution. The member should have an option to join or leave the scheme at any point of time. If the person withdraws without attaining the requisite amount in corpus for pension then he would be eligible for refund of his accumulation alongwith interest but with the exit load.

Age at entry should be 18-50 with minimum contribution for 5 years or 10 yrs.

The meeting ended by vote of thank by Mr. R. Venugopal, E.D.(P&GS).

Annexure I

**Summary Record of the meeting to discuss Insurance and Pension scheme for unorganized workers held under Chairmanship of Dr. Bhalchandra Mungekar, Member (Labour & Employment), Planning Commission on 20.01.06 at LIC, Mumbai**

---

**Planning Commission**

1. Dr. Bhalchandra Mungekar, Member (Labour & Employment)
2. Mr. Shailendra Sharma, Advisor

**NCEUS**

3. Dr. K. P. Kannan, Member
4. Shri S.V.R. Murthy, D.S.

**Ministry of Finance**

5. Mr. G. C. Chaturvedi, Joint Secretary (Banking & Insurance)
6. Mr. V. P. Bhardwaj, Director (Insurance)

**Ministry of Labour & Employment**

7. Mr. K. M. Sahni, Secretary
8. Mr. Manohar Lal, Jt. Secretary/DGLW
9. Mr. Rama Murali, Financial Advisor
10. Mr. Ashok Sahu, Economic Advisor
11. Mr. J. P. Dange, Principal Secretary, Govt. of Maharashtra

**L.I.C. of India**

12. Mr. K. Sridhar, Managing Director
13. Mr. D. K. Mehrotra, Managing Director
14. Mr. R. Venugopal, Executive Director (P&GS)
15. Mr. G. N. Agarwal, Appointed Actuary
16. Mr. N. B. Sathe, Chief (SBU-P&GS)