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ACCOUNTING STUDY OF NEW PENSION SCHEMES OF PRIMARY TEACHERS IN MAHARASHTRA(WITH SPECIAL REFERENCE TO KONKAN REGION)

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Abstract:

In an immensely populated country like India, as the years pass by the population is showing an increasing trend, and also the numbers of aged persons has been increasing at a faster pace. Therefore this backdrop leads to the prominence of the social security pension schemes, and the magnitude of the fund invested to reform the India's pension system. Thus this paper tries to create a meta-analysis of the reasons and probable aspects behind the effectiveness of the pension schemes. The paper also provides an outline between the differences between organized and unorganized or informal sector as an important aspect to decipher the reason creating a backlog in the Indian pension system, this leads to the emergence of Life Insurance Corporation of India (LICI) as a sole proprietor to cover workers under the informal sector and private sector. Thus the core objective of the paper is to analyse the importance of LICI considering their pension schemes, and whether the effectiveness of the pension schemes (as operated by the central government) has a causal relation with the pension schemes run by LICI or not. Again, the a part of the paper provides a highlight on the active participation of government to create a structured pension scheme through Atal Pension Yojna, which was launched in the year 2015, during the budget planning of 2015-2016. The ideology of this paper starts with the existing features and details of Atal Pension Yojna. The motive of this scheme (as per the explanation provided by PFRDA) was to eradicate the old-age insecurity faced by individuals. The pension was designed in such a format that with an investment of only Rs 1000(initial rate of premium, premium ranges from Rs 1000- Rs 5000) by individual within the age range of 18 years to 40 years, will lead to an accumulation of a lump-sum corpus that will be effective during old-age of the individuals. But there are few flaws that can be observed within the scheme, therefore, this paper also tries to create a meta-analysis about the structure of Atal Pension Yojna and also tries to provide a brief explanation on the probable flaws of the scheme.

Keywords: reform, pension schemes, LICI, Atal Pension Yojna,corpus

ii. Literature review:

The review of literature outlines the different point of view of the eminent economists and authors dwelling with the cause-effect relation of the pension schemes and the increasing demand for old age pension plans-benefits. According to Goswami(2013) , Kudrna- Tran- Woodland(2015)and Sinha(2008), the current state of Indian pension system and its reform is required as part of restructuring the institutional framework. He also explains that the cause behind the requirement for re-arranging the institutional framework is due to the failure of pension schemes like no-pay-no-go, pay-as-you-go, NOAP, IGNOAPS, IGNDPS, EPF, EPS(as most of the pension schemes are beneficial to the public sector employees). On the contrary Stelten(2011), Adema(2007),and Rajan(2006), claims that, it is the institutional framework that is needed restructuring to enhance the effectiveness of the pension schemes in India, again a similar theme is represented by Asher(2000),

amongst the social security schemes the pension schemes are the most cumulative and integral requirement for social welfare, it should provide an outline for the future retirees as well. Also Sanyal (2013) has given an overview of the working and restrictions of pension schemes that explained about the faults within the pension system explaining the possible structure of the pension schemes as per central government. Again, as the paper progresses, it can be observed that to improve the social welfare, the central authorities launched a well-structured pension scheme named as Atal Pension Yojna, to cover the informal workers mostly as per PFRDA (2015).

Thereafter, the next sections analyses about the backlogs and different aspects of the pension schemes, it also explains about the role played by LICI as a sovereign securer of the pension plans of the private sector and informal sector and also gives a perspective about Atal Pension Yojna.

iii. methodology

Different Teachers employee pension schemes

3.1 Employees' Provident Fund (EPF)- The EPF programme, established in 1952, is a contributory provident fund providing benefits upon retirement, resignation or death, based on the accumulated contributions plus interest, from employers and employees. Subscribers to the EPF have the option to make partial withdrawals for specified purposes such as house construction, higher education for children, marriage, and medical expenses associated with illness. Establishments covered by the EPF can either have the EPFO manage the provident fund, or can undertake processes to qualify as an exempt establishment, whereby they manage the provident fund themselves. In general, exempted establishments are large companies In India the EPF, has been used more as medium of tax evasion by the salaried classes as the entire amount deposited in EPF is deductible for income-tax estimation purposes. This negates the purpose for which it was originally set up for i.e. as a fund that would cover expenditure during the lifetime after retirement. Thus the EPF is distributed into Provident Fund 15.67 per cent & Pension Fund 8.33 per cent.

3.2 Employees' Pension Scheme (EPS)- The EPS, established in 1995, provides for the payment of a member's pension upon the member's superannuation or retirement, disability, and widow/widower pension, and children's pension upon the member's death. The EPS program has replaced the erstwhile Family Pension Scheme (FPS). Employers that are not mandated to be covered may voluntarily apply for coverage. The new scheme, known, as the Employees' Pension Scheme (EPS), is essentially a defined-benefit program providing earnings related pension on superannuation, disability or death. Thus, EPF members are now eligible for two benefit streams on superannuation – a lump sum EPF accumulation upon retirement and a monthly pension from the EPS. The amount of the pension benefit is based on the employee's average salary during the final year of employment and the total number of years of employment. Under the EPS, members must have completed a minimum of ten years of service and must be at least 58 years old. However, if an employee has completed twenty years of service, he/she may obtain an early pension from age 50. Under this provision, the amount of pension benefit is reduced by 3 per cent for every year falling short of 58.

Exemption from the EPS is allowed, but in this event, the employer will have to cover the government's contribution. However, participation to the EPS program was voluntary for the existing

workers as on 1995 but mandatory for the new workers whose monthly pensionable earnings did not exceed Rs. 5000. Further improvements were considered and recommended by the 6th pay commission

3.3 Other Schemes-The central government alone administers separate pension programs for civil employees, defence staff and workers in railways, post, and telecommunications departments. This is called the Civil Servants' Pension Scheme (CSPS). These benefit programs are typically run on a pay-as-you-go, defined-benefit basis. The schemes are non-contributory i.e. the workers do not contribute during their working lives. Instead, they forego the employer's contribution into their provident fund account. The entire pension expenditure is charged in the annual revenue expenditure account of the government. The schemes are non-contributory i.e. the workers do not contribute during their working lives. Instead, they forego the employer's contribution into their provident fund account. The entire pension expenditure is charged in the annual revenue expenditure account of the government. Full superannuation benefit is a monthly pension fixed at 50 per cent of the average monthly earnings during the last year of service. The pension is indexed to provide a real annuity to the retirees. Public employees, in addition to their pension benefits are also covered under the General Provident Fund (GPF) scheme. The GPF is a non-contributory program where only workers themselves contribute a minimum of 6 per cent of their monthly earnings. The accumulation under the GPF account is returned to the worker in lump sum at the time of retirement. Private sector workers are less fortunate and until recently had access only to a provident fund system for their old age income security. Provident Fund is a defined- contribution, fully funded benefit program providing lump sum benefit at the time of retirement. The provident fund system, consisting of the Employees' Provident Fund (EPF) and a number of smaller provident funds is the largest benefit program operating in India. Together, the schemes provide retirement benefits to about 10 per cent of the labour force. Workers (and private employers) contribute between 10 - 12 per cent of monthly earnings, to be returned to the worker in a lump sum payment at retirement

Case study : Life Insurance Corporation of India (obtained from Kolkata, West Bengal)-For private enterprises and individual requirement LICI acts as a support system. There are basically two types of pension schemes individual and group pension. The individual pension scheme is adjoined with two terms i.e. the deferred annuity and the immediate annuity. In case of deferred annuity the termination occurs at age of retirement, the starting point can be from 20 years to 40 years as the minimum range to start a deferred annuity scheme as per LICI is of 15 years before the retirement age. This consists of a life coverage i.e. the benefit of the scheme last even after the payment of premium is terminated at stipulated time. Again in case of immediate annuity, the corpus is received at the discretion of the person after the given choices are considered,

a) Pension guaranteed for life.
b) Pension guaranteed for 5 years & life thereafter (may be paid to nominee in case of untimely death or termination).
c) Pension for 10 years & life thereafter.
d) Pension for 15 years & thereafter.
e) Pension for 20 years & thereafter.
f) Pension for life & 50% pension to the nominee after the demise of life assure. But the most popular choices amongst customers is

g) Pension guaranteed for life & return of the full corpus to the nominee (if required).

The schemes that are executed by LICI are explained in a tabulated format below:

Name of the schemes	duration	Details
Jeevan dhara plan no. 96	3.10.1987-30.6.2000 Age range; 18-65 years Minimum premium Rs 100 per month and yearly Rs	Deferred annuity plan with return of corpus. In the event of death of annuitant before the annuity begins, the policy will be
	4926	treated as through it was taken originally for a term equal to the period from the date of commencement of the policy to the first policy anniversary falling due on or after the date of death and notional give amount will be calculated bases on the Above term and the actual instalment premiums, is refundable to nominee.
Jeevan akshay plan no. 97	3.10.1987-16.6.2000 Age range: 50-65 years Minimum premium monthly is Rs 1000	This plan provides a lifelong pension and guaranteed Insurance sum (GIS) payable on death of annuitant. Plan is having attractive returns, absolute security and final bonus.

Jeevan suraksha plan no. 122	15.8.1996-25.12.2001 Age range: 50 to life time till death Minimum premium monthly- Rs 150 and yearly- Rs 1800	This plan provide pension form a chosen retirement date with life cover providing at least 50% of the target pension to spouse on his/her death during deferment period, provided
		policy is with life cover & in force as on death.
New jeevan dhara plan no.146	1.7.2000-25.12.2001 Age range:20-70 years Minimum monthly premium is Rs 100 and Annual premium is Rs. 2500	New deferred annuity with return of cash option after death.
Jeevan akshay-1	1.2.2002-16.10.2003 Age range:40-79 years Minimum monthly premium is Rs 1000 and yearly premium is Rs 5000	On death of annuitant, annuity ceases & the purchase price is returned to the nominee. No proportionate annuity from date of last annuity to date of death is payable. If nominee is not able to return the annuity cheques after date of

		death or if annuity by way of ECS is credited to bank A/c after date of death, before settlement of death claim, said amount of annuity will be recovered from purchase price.
Varistha pension bima yojna plan no.828	16.8.2014 onwards Age range-55 years & lifetime coverage. Minimum premium monthly and yearly are Rs 500 & Rs 6000	Pension payment shall be settled through ECS/ NEFT mode of payment only. Loan facility is available after completion of 3 policy years. Maximum loan that can be grated shall be 75% of the purchase price. The policy can be surrendered after completion of 15 years and surrender value will be the refund of purchase price. Under exceptional circumstances, policy can be surrendered for the treatment of any critical/ terminal illness of self or spouse.
Jeevan nidhi plan no.169	13.11.2014 onwards Age range-40-75 years Minimum premium monthly and annually are Rs 1000 & Rs 5000 & above.	For first 5 years policy is with guaranteed addition and for balance year's policy will participate in bonus. Hence, consistent demand for endowment funding under

		Deferred annuity plan is being fulfilled. During deferment period, if death of life assured occurs then death claim amount will not be converted into annuity but shall be payable in lump sum to nominee. Jeevan Nidhi plan is a with profit plan which provides death cover during the deferment period and on survival to the date of maturity/vesting, the maturity proceeds are compulsorily converted to purchase annuity at rates of then Immediate annuity plan .
Jeevan akshya-6 plan no.189	10.6.2007 onwards Age range: 40-85 years Minimum premium monthly and annually are Rs 500 & Rs 3000 onwards.	Standard age proof will be required under all the annuity options except the option i.e. annuity for life with return of purchase price on death. Policy will not have guaranteed surrender
		value, paid up value, special surrender value, loan, double accident benefit.
Pension plus plan no. 803	2.6.2010-1.1.2012 Age range: 40-85 years Minimum premium monthly and annually are Rs 1000 & Rs 10000 and above.	For the first time the concept of discontinuance of premium is introduced under this policy. If the premium under the policy has not been

		paid within days of grace, a notice shall be issued to policyholder within a period of 15 days from the expiry of grace period to exercise one of the options within a period of 30 days of receipt of such notice. If policyholder do not pay the outstanding premium or do not exercise any option, then policy will be treated as discontinued. The two options will be 1) revival of
		policy by paying all arrears of premiums or 2) complete withdrawal from the policy. The lock in period under the policy will be 5 years.

Source: Life insurance Corporation of India

iv. Approaches and conclusion;.

The paper is subjective towards justification behind the probable reasons of ineffectiveness of pension schemes. Mostly the paper explains about the relative features of all the major schemes till date and also about LICI being active as the pioneer to provide services to the informal employees and self employed individuals. It is effective to conclude that the pension schemes are structured properly yet they do not target the emerging problem of gender inequality, rising rate of informal employees and also increased establishment of private enterprises. Many authors have criticised existence of the monopoly power of LICI in the insurance and pension related segments, which is true in specific sense but the existence of structured pension plan only for government employees (both state and central) and rising

number of private entities has created a vacuum, thus it will effectively suggested that before initiating a properly structured pension scheme into the system, the core issues are to be targeted first. Also the paper analyses that From the initial stage some subjective flaws in this pension scheme have acted as an engine to create some approaches by the government, these are listed below:

- In an effort to enrol more subscribers to the Atal Pension Yojana (APY), the Finance Ministry intends to appoint private agents. At present, only banks sell this scheme. Atal Pension Yojana is one of three social security schemes (the other two are Pradhan Mantri Jeevan Jyoti Bima Yojana or PMJJBY and Pradhan Mantri Suraksha Bima Yojana or PMSBY) that were launched by Prime Minister Narendra Modi on May 9, after an announcement in the Budget. As the life and nonlife insurances schemes were running fine, but the third one had not picked up. Atal Pension Yojna provides a minimum guaranteed monthly pension of Rs1000, Rs 2000, Rs 3000, Rs 4000 or Rs 5000 to people in the age group of 18 to 40 years. At present, the government pays Rs 120 to Rs 150 for every new account and subsequently Rs 100 per account every year for persistence as incentive, promotion and development charges on the pattern of the earlier social security scheme, Swavalamban. However, despite this payment structure and 50 per cent contribution by the government for subscribers joining before December 31, the response was not encouraging.
- The Finance Ministry recently announced flexibility in the contribution payment to Atal Pension Yojna by subscribers and also in the terms related to premature withdrawal. Now, a subscriber can contribute on a quarterly and half yearly basis apart from the current monthly provision. Based on the suggestions received, the government has also provided some relaxation in premature withdrawals. Now, the account will not be deactivated and closed till the account balance with self contribution minus the government co-contribution becomes zero due to deduction of account maintenance charges and fees. Also, the penalty on delayed payment has been simplified to Rs 1 for contribution of Rs 100, or part thereof, for each delayed monthly payment, instead of different slabs earlier. Similarly, the modified provision permits the subscriber to voluntarily exit with the condition that he will only be refunded the contributions made by him to Atal Pension Yojna, along with the net actual interest earned on his contributions (after deducting the account maintenance charges).
- The Centre's flagship pension plan, as launched last year, is struggling to stay in the market. It has been able to bring only about 10 per cent of the targeted two crores under its ambit. The Atal Pension Yojana, aimed at ensuring pension for those who have neither employment security nor retirement facilities, seems to have run out of steam right from the start. Flagged off in June 2015, Atal Pension Yojna had a target to cover about 20 million people.

  Recent data shows even 10 per cent of that target has not been achieved in the past eight months. Since the start of the scheme, banks have enrolled only around 1.90 million subscribers till 16 January. This, despite the incentives the government provides for new enrolments. For those who enrolled in the scheme before 31 December, the government contributed an amount equal to 50 per cent of the subscriber's contribution, or Rs1000, whichever is lower. But now, concerned over the poor response, the Finance Ministry has asked all state-run banks to extend the date of

government contribution till March 31, 2016. After careful consideration of the feedback from various quarters, the government has decided that the contribution by the Central government of 50 per cent of the total prescribed contribution up to Rs 1000 per annum will be available for those eligible subscribers, who join Atal Pension Yojna before March 31, 2016. It is also said that the measure is likely to benefit a substantial number of people who have not been able to join the Atal Pension Yojna and therefore have failed to avail the benefit of the government's contribution.

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