

***Govt. working towards bringing informal sector under pension scheme, says Chairman, PFRDA***

***Need for a social pension scheme to provide coverage to those below poverty line***

**NEW DELHI, 9 December 2015:** The government is working towards bringing the informal sector of India, which comprises 88 per cent of the workforce, under the ambit of a pension scheme. Currently only 3-4% employees in this sector have any kind of pension coverage which is also inadequate in terms of the escalating living and healthcare costs, said **Mr. Hemant G Contractor, Chairman, Pension Fund Regulatory and Development Authority (PFRDA)**, here today at the first annual conference of FICCI on 'Pensions Sector in India: Growth Opportunities and Challenges'.

Mr. Contractor said that the government's Atal Pension Scheme had received a good response and it had been able to attract many individuals from the lower strata of society. However, he mentioned that for the people below the poverty line, who do not have the capacity to join a voluntary pension scheme, the government needs to create a social scheme, which provides them coverage when they turn senior citizens.

Emphasizing the importance of the pension scheme, Mr. Contractor said that in India 10 per cent of the global senior citizens reside and with an increase in life expectancy this number would double in 15 years from now. Hence, it was imperative to bring about awareness regarding the existing pension schemes in the face of escalating living and healthcare costs to ensure a comfortable life once a person attains the age of 60 years.

Mr. Contractor said that the government and PFRDA were working towards developing pension schemes that were flexible, portable and transparent in terms of financial implications. He added that the sector needs to be regulated to safeguard the interest of the people from the lower income group.

On the occasion, Mr. Contractor released a FICCI-KPMG Knowledge Paper '**Employee pensions in India - Current practices, challenges and prospects**'.

**Mr. G N Bajpai, Former Chairman-Securities and Exchange Board of India (SEBI) and Life Insurance Corporation of India (LIC)**, said that pension schemes in India like other financial products is a push product, of which a majority of the people are not aware about. He added that there was a lack of ownership about the customer as well. Once a person joins a pension scheme there is no agency accountable to attend to the needs and grievances of a customer. Also, the rate of return on pension schemes needed to be higher than the existing rates, which should be competitive with the world market rates.

**Ms. Parizad Sirwalla, Partner and Head, Global Mobility Services, Tax, KPMG in India**, said that well-designed pension system is one which is economically and financially sustainable, while providing for a meaningful retirement income to the beneficiaries. It also accumulates long-

term savings that aid investments in infrastructure. Since pension plans are very long-term plans, small changes in contributions and investment returns can make a big difference in the terminal corpus, owing to the power of compounding.

**Mr Rambir Dalal, Director, KPMG in India** made a presentation highlighting the key findings of the FICCI-KPMG report. He offered an overview of the employer pension schemes available in India and also provided an international perspective by comparing Indian pension plans with those of other countries like Netherlands, Canada, United Kingdom and China. He also shared the industry recommendations for enhancing the coverage of employer pension plans, which included suggestions like the need for clear communication from service providers to all employers/employees on various pension schemes and their respective benefits, need to make these plans transparent and simple, offering greater tax benefits to NPs etc.

On the similar lines, **Mr. Amitabh Chaudhry, Chair, FICCI's Insurance and Pensions Committee and Managing Director and CEO, HDFC Life Insurance Co Ltd.**, also shared his observations that although various pension schemes have been introduced in the country, there is a lack of awareness about these schemes in the country. In this context, he further mentioned that by organising the annual pensions conference, FICCI has created a platform for stakeholders to create awareness and promote pension schemes in the country.

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