Item No. 40

FUNDING OF EMPLOYEES GRATUITY AND LEAVE ENCASHMENT LIABILITY WITH LIC

In the 83rd meeting held on 27.5.2014, the Authority had advised that the liability towards Gratuity and Leave Encashment of employees may be funded with external agencies with due valuation.

It was accordingly decided to get the liabilities valued from LIC and fund these liabilities to the Gratuity Fund and Leave Encashment Fund under LIC Scheme.

Details of Policies are given below for information of the Authority.

1. **GRATUITY FUND:** IRDAI has been recognizing the Gratuity Liability as per the IRDA Gratuity Scheme every year. During the current year, it has been decided to form a Trust and entrust the Fund management to LIC under its new Group Gratuity Cash Accumulation Scheme. We have taken up the Gratuity valuation from LIC based on our current employee data/salary. The total funding required for Gratuity liability with a salary escalation of 7% and discount rate of 8% is Rs.6,67,95,552/- (Rupees six crore sixty seven lakh ninety five thousand five hundred and fifty two only) which has already been deposited with LIC. In order to administer the Scheme of LIC, a Trust needs to be formed.
2. **LEAVE ENCASHMENT FUND:** This is another liability for IRDAI which has been recognized based on the leave rules. During the current year, it has been decided to entrust the Fund Management to LIC under its new Group Leave Encashment Cash Accumulation Scheme. We have taken up the valuation from LIC based on our current employees leave data/salary. The total funding required for the liability with a salary escalation of 7% and discount rate of 8% is Rs.7,67,89,279/- (Rupees seven crores sixty seven lakh eighty nine thousand two hundred and seventy nine only) which has already been deposited with LIC.

Submitted to the Authority for information. The Authority is requested to approve formation of a Trust as mentioned above and authorize the Chairman to nominate the requisite number of Trustees.