

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3036
ANSWERED ON:02.08.2002
GROUP SUPERANNUATION SCHEMES OF LIC
SUSHIL KUMAR SAMBHAJIRAO SHINDE;VILAS BABURAO MUTTEMWAR

Will the Minister of FINANCE be pleased to state:

- (a) whether the Life Insurance Corporation of India have reduced the rate of returns on group superannuation schemes;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether the LIC had assured to the investors a guaranteed minimum return of eight per cent per annum on the pension funds;
- (d) whether the employees subscribing to the above scheme are to be put to great financial loss as a result thereof; and
- (e) if so, the manner in which the Government propose to protect their interest particularly when they were assured a minimum returns?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE & COMPANY AFFAIRS (SHRI ANANT G. GEETE)

a) Yes, Sir.

b) The Life Insurance Corporation of India (LIC) has informed that the rates of interest to be credited on the Group Superannuation Schemes funds for the year 2001-2002 ranges from 9.25% for a fund size of less than Rupees Twenty Five Lakhs to 10.5% for a fund size of Rupees One Hundred Crore and above. This range of interest rate for the previous year was from 10.75% to 12%.

The LIC has also reduced the annuity/pension rates in cases where pension/annuity commences on or after 1st April, 2002. The reduction of annuity rate is due to the lower yield on the investment on such annuity funds for the year 2001-2002 and the anticipated yield on such funds in the future years by LIC. Annuities once decided are payable at the same rate lifelong. The LIC had guaranteed 8% return under Group Superannuation Scheme Funds for a period of 5 years for Schemes which commenced on or before 31st March, 2002. However, interest allowed by LIC on such funds for the year 2001-2002 are mentioned in part (b) above. For new schemes commencing from 1.4.2002, the guaranteed rates for such Superannuation funds has been reduced to 6%. However, actual interest that LIC will be allowing on such funds for the year 2002-2003 will be known by the close of the year. However, annuity rates are not guaranteed.

(d) & (e): Annuities to pensioners started on or before 31.3.2002 have not been reduced. Existing pensioners will continue to receive the same amount of pension as is being received by them. The annuity payment commences on the employee leaving the services of the organization, when the accumulation to the credit of the member is used for purchase of annuity. The quantum of annuity depends on the annuity rates prevalent on the date of purchase. Once the annuity payment commences, the quantum of annuity payable to the individual is guaranteed life long. In case the Employer targets or if the Rules of the Schemes spells out a specific amount of pension, LIC quotes rate of contribution to the Fund. The contribution rates under such Group Superannuation Schemes are subject to revision at periodical intervals. Still the quantum of annuity depends on the annuity rates prevalent at the time of purchase. In case the Employer has committed for a specific amount of pension, the employer trust may make the shortfall in the required Notional Cash Option at the time of exit of the employee/subscriber.