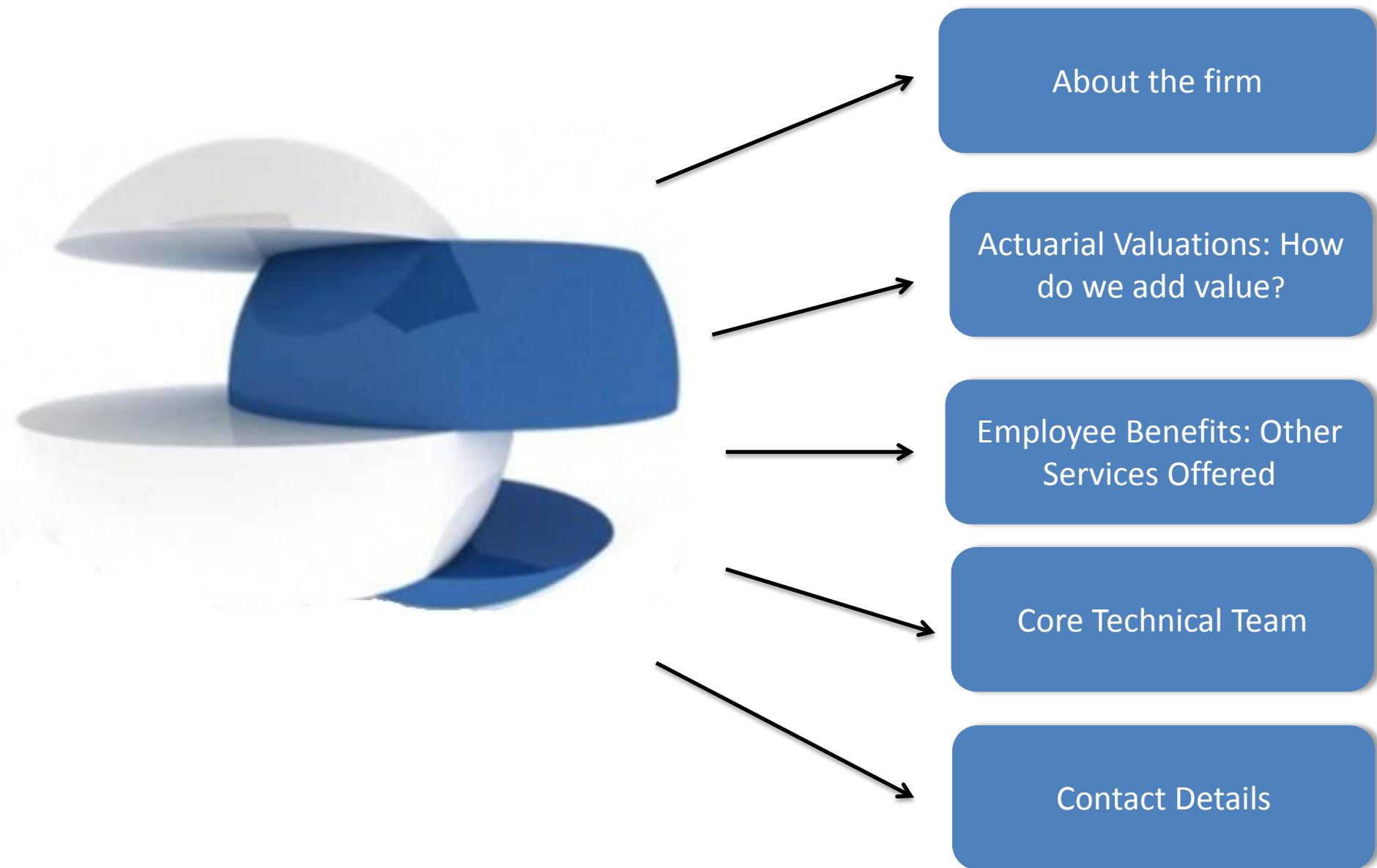




Valuation of Employee Benefits

K P A C





About the firm



Research driven

- KPAC is a research driven actuarial consulting firm **providing actuarial valuation services** since 2013.
- Empowered by **creative thinking and research oriented approach**, we offer actuarial valuation services that go beyond 'just-compliance'.



Going Beyond Compliance

- KPAC delivers customised solutions with use of data analytics and continuous research, which helps clients in **optimum recognition of liability and better management of expenses**.
- KPAC also helps clients in reducing volatility of expenses through ALM, better planning and budgeting, etc.



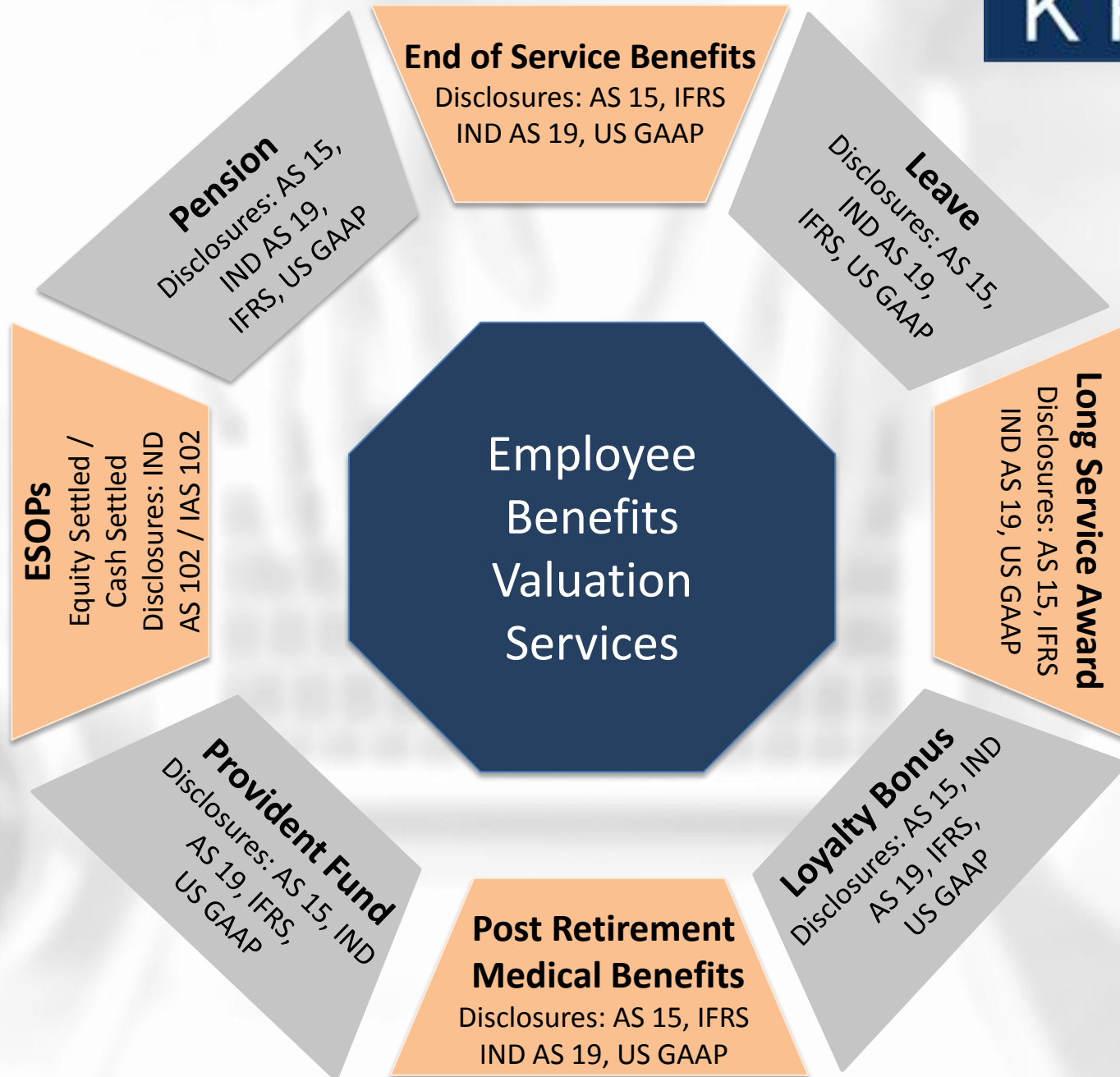
Strong Clientele

- Driven by passion to exceed expectation every single time, KPAC is providing valuation services to **more than 1000 clients** (including large corporate houses and MNCs)
- KPAC's **engagements spread across all parts of India** and in various other countries like USA, Australia, UK, Middle East, SAARC countries.



Strong Team

- KPAC has a **strong team of actuarial consultants** and domain experts, who focus on delivering excellence each time.
- Each actuarial consultant has experience of handling valuations of large corporate houses and complicated employee benefits.



*Actuarial
Valuations: How
do we add
value?*

We carry required valuations (under AS15, IAS19, US GAAP) of your retirement or long-term employee benefit plans so you stay in compliance and have a greater understanding of your plans.

This includes:

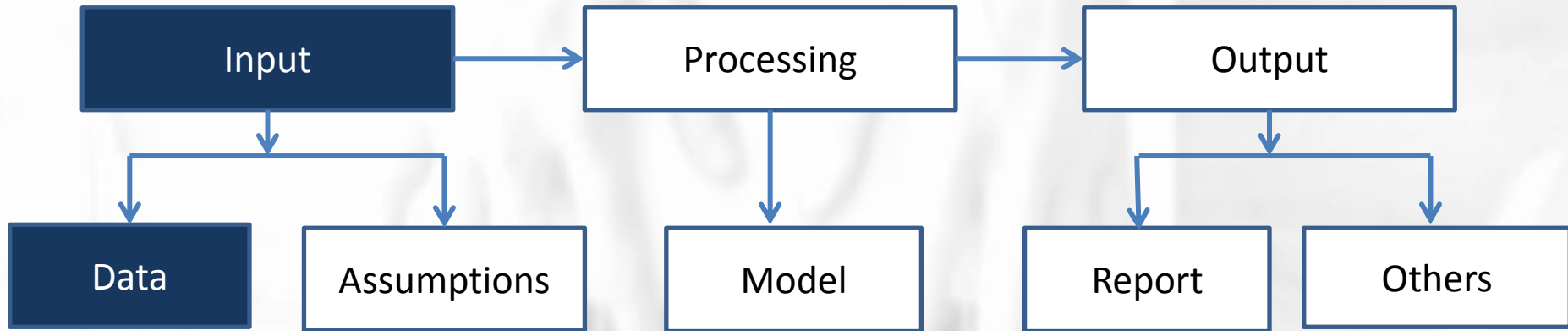
- **Calculating expenses that should be recorded on Profit and Loss statements**
- **Calculating Balance Sheet Liabilities**

In doing above, we help you with determining the **correct value of the benefits offered.**

We assist you in determining assumptions, based on your experience and factors relevant to you, so that the **charge to P&L and liability in Balance Sheet is neither over stated nor understated.**

We also help you validate the previous assumptions to determine their efficacy.

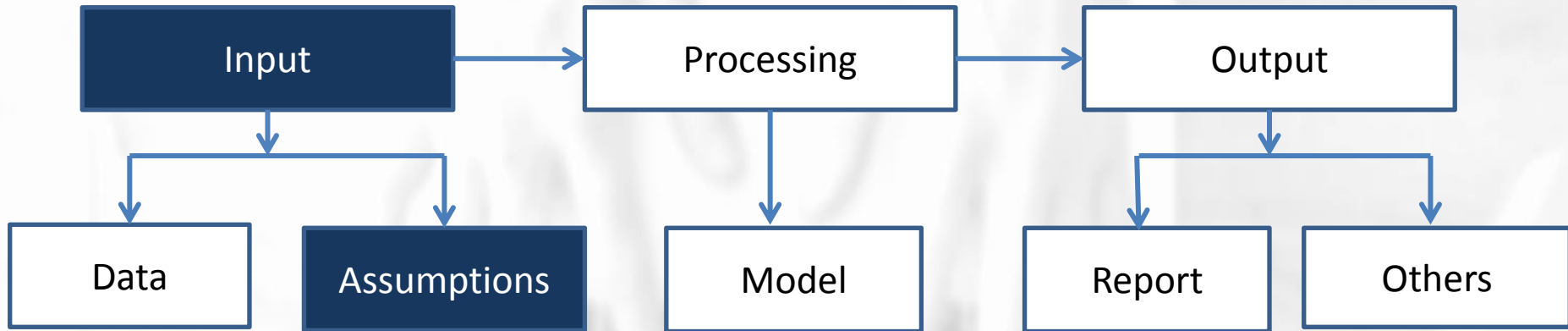




- Data preparation made easy through **PRE – FORMATTED EXCEL DATA REQUISITION SHEETS** and close assistance in data preparation.
- We carry out various data checks to ensure **COMPLETENESS, CONSISTENCY AND ACCURACY OF THE DATA**. This helps in rectifying data errors and placing correct value of the liability.
- We share a **SUMMARY REPORT OF DATA CHECKS with the client** before carrying out the valuation.



*Garbage In, Garbage Out
Data Checks can make a difference*

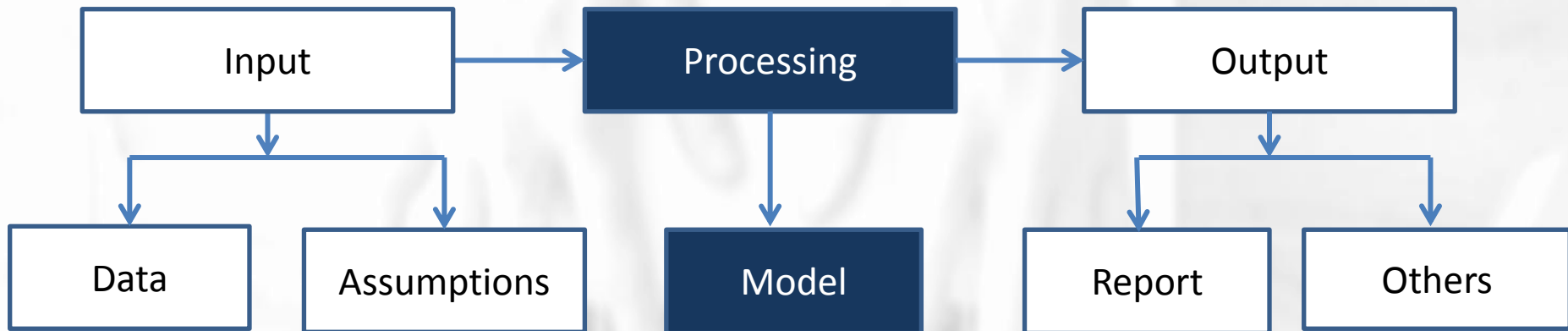


- **Assistance in determination of assumptions:** In case management so desires, we can help you to analyze and determine assumptions so that charge to P&L (and balance sheet liability) is neither over nor under stated
- **In-house research:** We back the same by our in-house research of how some of the biggest Companies do these valuations in India

We publish research outcomes regularly. Example – **research paper on salary growth rates**. Some thoughts / outcomes / observations shared in subsequent slides



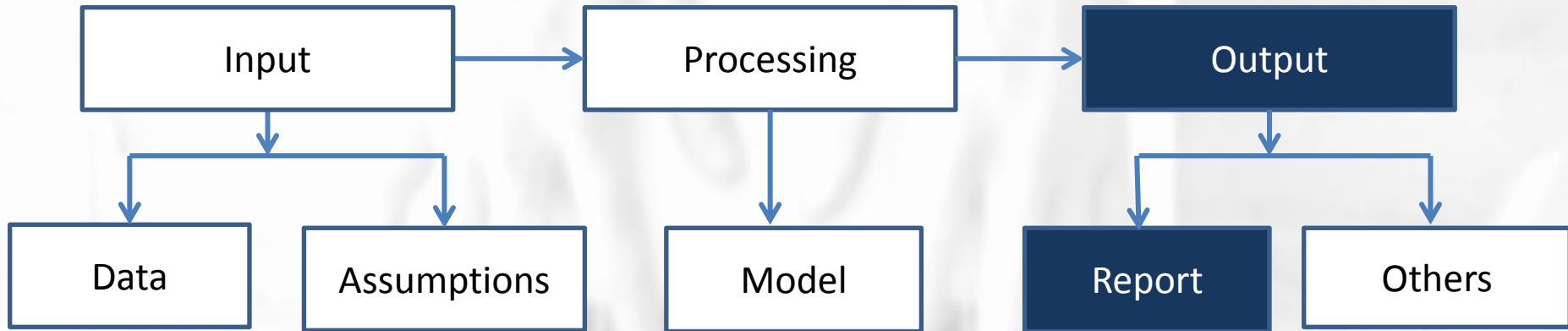
*Assumptions are crucial
Being research driven helps better setting of
assumptions*



- Modelling approaches used in KPAC are in line with market standards, professional requirements and do not vary
- Shifting to KPAC will **not result in any disruption or ad hoc movements in the valuation of your liability and expenses**



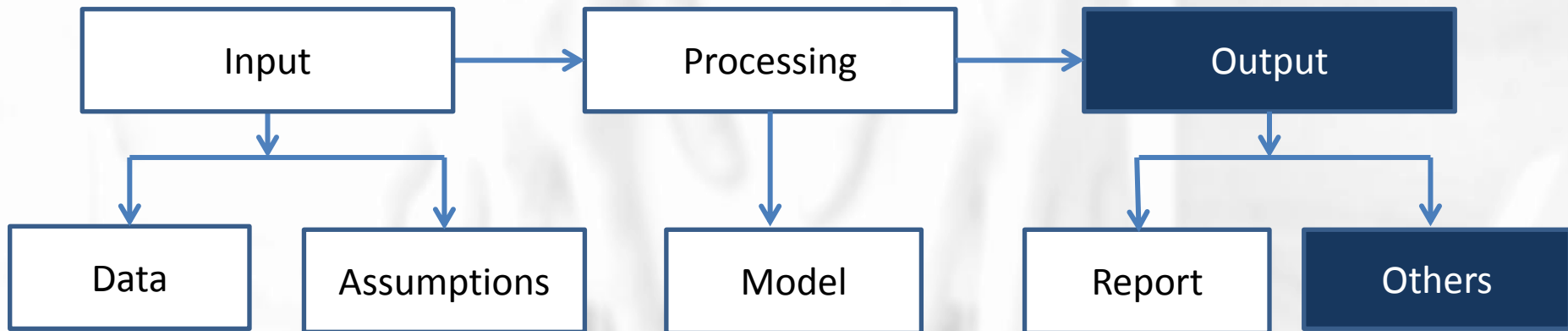
*Modelling approaches standard
Shifting does not cause any disruption in
valuation results*



- **Simple yet detailed report** to enable complete understanding
- **Simplified glossary and FAQs** for reference
- **Additional management information** for better understanding of liability



Simple and Comprehensive report



- **Qualitative discussion** on valuation results
- Handling queries raised by **auditors**
- Strict adherence to **delivery time / TATs** (maximum **3 working days** for usual valuations)
- Employee wise liability (if required)
- In house model for monthly in house valuations

1. Data

- Data preparation made easy
- Detailed data checks carried out on data to ensure efficient valuation
- Data Quality Report

2. Assumptions

- Assistance in determination of actuarial assumptions
- Backed by in house research

3. Approach to modeling - Routine and standard

4. Report

- Comprehensive yet simple (FAQs, simplified Glossary)
- Additional management information

5. Others

- Qualitative discussions with management / auditors
- Employee wise liability (if required)

Overall, the focus is on minimizing costs, time and risk of compliance whilst maximizing control and quality in meeting of compliance



- When getting actuarial valuations done, it is important that you understand and analyze liability (and the expense) you are taking on your books.
- To enable this, we provide **additional information with each valuation**, which helps you understand the nature of your liability. This includes items such as
 - **sensitivity of liability to changes in key assumptions,**
 - **duration of liability,**
 - **summarized expected future cash flows,**
 - **comparison of historical assumptions with actual experience, etc.**
- Similarly, assumptions used have a significant impact on the ultimate liability and P&L expense. We **help you to analyze assumptions** so that charge to P&L (and balance sheet liability) is neither over nor under stated.





Employee
Benefits:
Other Services
Offered

Your organization would strive to strike a balance between accumulating capital and the resources to pay for retirement benefits.

A right choice can give your organization the financial edge it needs to recruit and retain the best talent, while helping your employees build the savings they need to retire with.

In the area of employee benefits, we at KPAC can also do the following for you:

- 1. Developing funding and investment strategies**
- 2. Designing of Employee Stock Option Plan**
- 3. Asset Liability Management**

The above areas of work are discussed in following slides.

Reducing investment risk exposure and pro-actively managing scheme funding are key priorities for those responsible for defined benefit pension schemes.

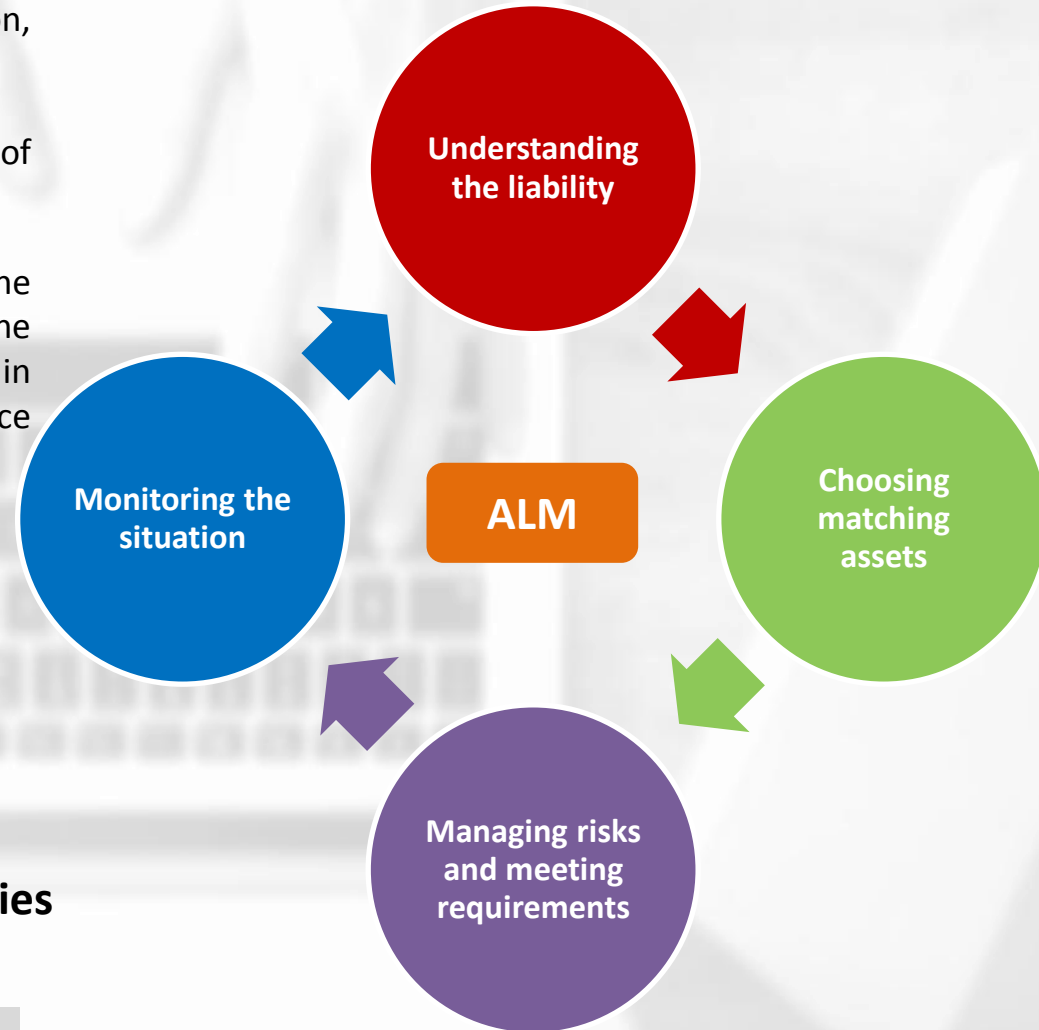
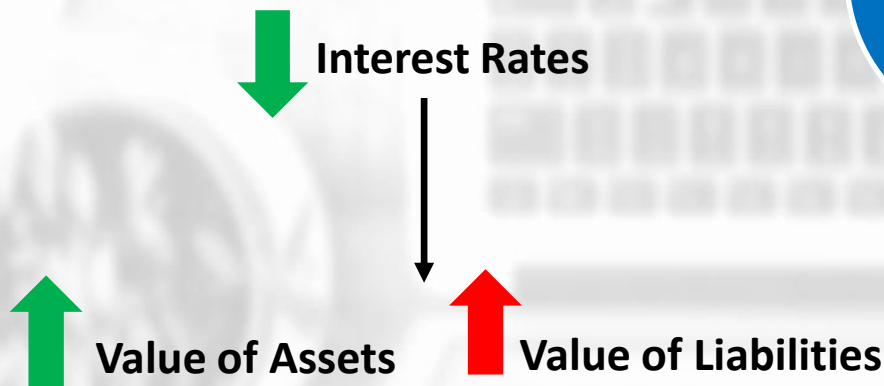
Having an in-depth understanding of how scheme assets and liabilities perform under a range of market conditions and economic scenarios is essential to the risk management process.

It is not expected that there is a one-size fits all approach. Primary considerations of interest include what conditions make a given strategy appropriate, when strategies need to be reviewed and/or revised, and how robust a single strategy can be.

At KPAC, we help **you quantify and understand the key risk drivers** and their impact on scheme funding as well as the **interaction between funding and investment strategies.**



- Employee benefit liabilities is usually long term (8 to 15 years) and depend on company's attrition, retirement age and demographic profile.
- Uncertainty of liability is analyzed in terms of timing (term) and amount (nature).
- If, whilst performing actuarial valuations, the Company receives right information about the nature of liability, it can use the information in making right investments and thereby reduce exposure to market risks.



At KPAC, we help you to make the right investments, which helps to ensure that assets and liabilities move in sync with each other!

Employee Stock Option Plan (ESOP) is a plan through which a Company grants an option to its employees to acquire **shares** at a **future date** and at a **predetermined price**.

Different plans to choose from:

1. Share Options

Employees will receive 100 shares after 3 years

2. Share based payments with cash alternatives

Employees can elect to receive 100 shares after 3 years, or its cash equivalent

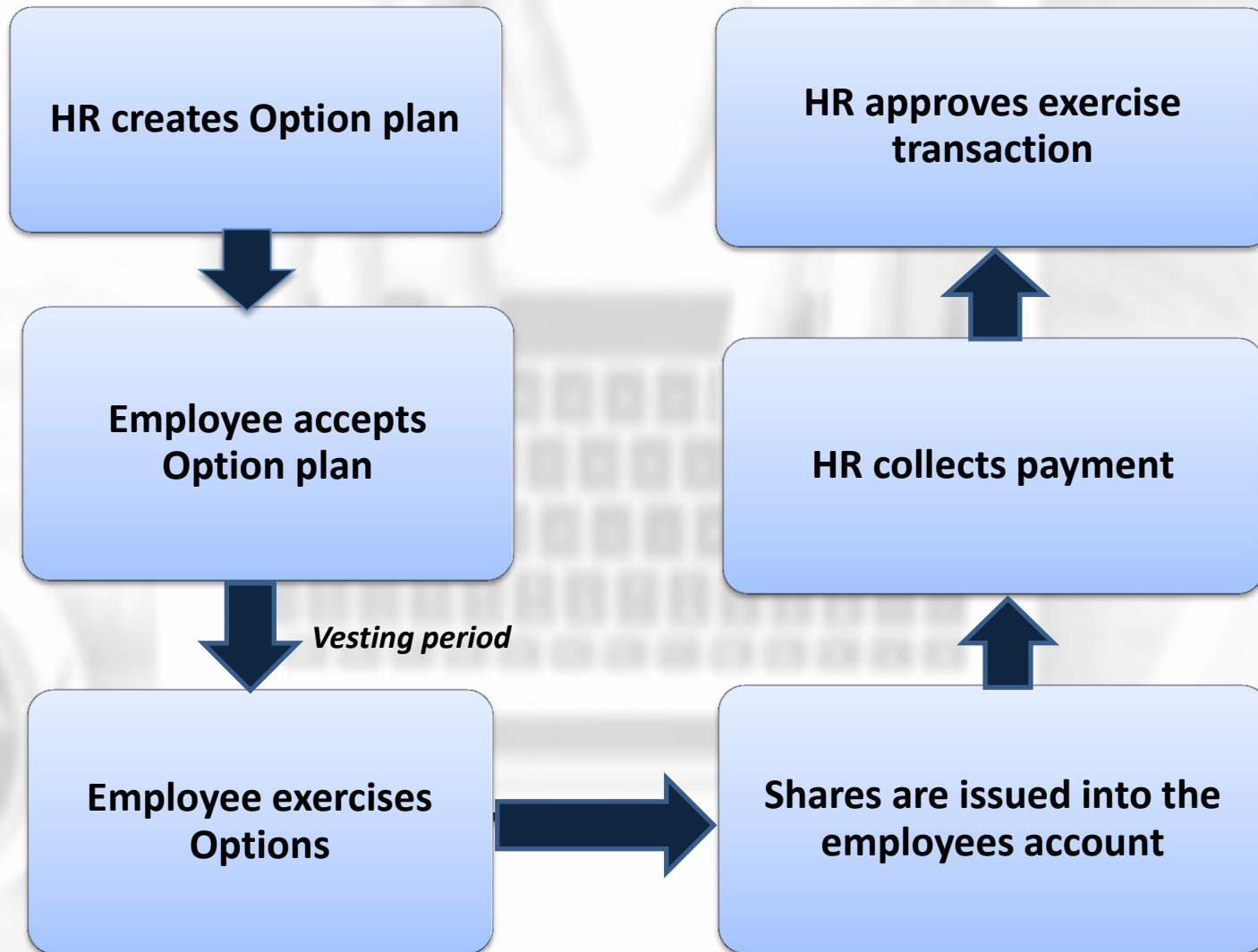
3. Share appreciation rights

Employees receive the difference between current market price and price prevailing at the end of 3 years of 100 shares

4. Restricted shares

Employees receive 100 shares after 3 years,
However, shares have a lock-in of 2 more years







*Core Technical
Team*

- Khushwant is a consulting **Actuary with about 12 years of work experience in the Indian Market**. He is a qualified actuary from Institute of Actuaries of India as well as Institute and Faculty of Actuaries, UK.
- He has worked with various companies - **Aviva Life, Canara HSBC Life, Max Life Insurance and IFFCO Tokio General Insurance**. He has also worked with Chartered Accountant firms in the area of statutory and internal / business process audits.
- He has worked in **all actuarial practice areas such as employee benefits (including carrying out valuations as per AS15 / IAS19 / US GAAP)**, valuations / reserving, shareholder & regulatory reporting, product development & pricing, business planning, risk management, audits & limited reviews.
- He is also a member of and Secretary to **Advisory Group on Pensions, Other Employee Benefits & Social Security** of the Institute of Actuaries of India.
- He is currently certifying actuary for various large corporate houses and companies in India including **Wipro Group, Aditya Birla Group, Adani Group, MRF, Oberoi Hotels, Interglobe, Ques, Max Healthcare, Pepsi Co.**, etc.
- He has been the key speaker of various domestic and international actuarial seminars.

Education & Qualifications

- **Institute of Actuaries (UK and India); Qualified Actuary**
 - Fellow of Institute and Faculty of Actuaries, UK
 - Fellow of Institute of Actuaries of India
- **University of Delhi; Bachelor in Commerce (Honors)**



Arpaan Begdai | Senior Actuarial Manager | 9 years of benefits experience

- Arpaan is Senior Actuarial Manager at KPAC, making swift progress towards becoming qualified actuary from both the Institute of Actuaries of India as well as Institute and Faculty of Actuaries, UK. He is also a graduate from University of Delhi (Bachelor in Commerce (Honors)).
- He has 9 years of work experience with various companies - Jardine Lloyd Thompson (UK Consultancy), Micro Insurance Academy.
- Worked in various actuarial practice areas including valuation of the Defined Benefit Pension schemes for the UK market, valuations as per AS15 / IAS19 / IND AS 19 / US GAAP.
- He has been a **part of the Team KPAC since February 2014** and has carried out valuations of various large groups / entities in India. Most notably, he has handled valuations of **Wipro (Indian and International entities), Maruti Suzuki, Emami, Max Healthcare Group, PPG Asian Paints** etc.

Tanu Saharan | Senior Actuarial Manager | 5 years of benefits experience

- Tanu is Senior Actuarial Manager at KPAC, making swift progress towards becoming qualified actuary from both the Institute of Actuaries of India as well as Institute and Faculty of Actuaries, UK.
- Her current profile involves end to end valuation of employee benefits (from data checks, assumption setting, valuation results to accounting reports) and advising a range of clients.
- She is also a part of the new business team responsible for developing business and building relationships with potential clients across all sectors in India.

Punit Jagtani | Senior Actuarial Consultant | 5 years of benefits experience

- Punit is an actuary in process with 5 years of work experience in the area of employee benefit valuations.
- He has carried out valuations of various large groups / entities in India. Most notably, he has single-handedly managed valuations of **Tata Housing, Dalmia Group, Times Group, Quattro, Renault Nissan, Landmark Group, Canara HSBC, Qess Group** etc.
- Punit is a Science graduate from University of Delhi and is pursuing actuarial profession (has cleared 9 actuarial exams).

Aayush Agarwal | Senior Actuarial Consultant | 5 years of benefits experience

- Aayush has around 5 years of work experience in the area of employee benefit valuations.
- He has carried out valuations of various large groups / entities in India. Most notably, he has single-handedly managed valuations of **Wipro** (Indian and International entities), **Aditya Birla Group, Hindustan Times group, Airtel Africa** (valuations for more than 10 African countries), **MRF**, etc.
- Aayush is a commerce graduate from University of Delhi and is pursuing actuarial profession (has cleared 7 actuarial exams).

Surbhi Jindal | Senior Actuarial Consultant | 4 years of benefits experience

- Surbhi has about 4 years of work experience in the area of employee benefit valuations.
- She has carried out valuations of various large groups / entities in India. Most notably, she has single-handedly managed valuations of entire **Adani Group, Zuari Group, GlaxoSmithkline, Pepsi Co. , HDFC Life** etc.
- Surbhi is a graduate from University of Delhi and is pursuing actuarial profession (has cleared 8 actuarial exams).

Dribjot Singh | Senior Actuarial Consultant | 3 years of benefits experience

- Dribjot has around 3 years of work experience in the area of employee benefit valuations.
- He has carried out valuations of various large groups / entities in India. Most notably, he has single-handedly managed valuations of **Brigade Group, Mytrah Group, Emami, Maruti, Chola Group, Mahindra**, etc.
- Dribjot is a Commerce graduate from University of Delhi and is pursuing actuarial profession (has cleared 9 actuarial exams).

Twinkle Agarwal | Senior Actuarial Consultant | 2 years of benefits experience

- Twinkle has about 2 years of work experience in the area of employee benefit valuations.
- She has carried out valuations of various large groups / entities in India. Most notably, she has single-handedly managed valuations of entire **Hero Group, Shoppers Group, 3i Infotech, NDTV Group, JSW, Interglobe, Yes Bank** etc.
- Twinkle is a Science graduate from University of Delhi and is pursuing actuarial profession (has cleared 4 actuarial exams).

Aarzo Dawar | Senior Actuarial Consultant | 2 years of benefits experience

- Aarzo has about 2 year of work experience in the area of employee benefit valuations.
- She has carried out valuations of various large groups / entities in India. Most notably, he has single-handedly managed valuations of **Nivea, Orient Cement, JK Group, Flipkart, etc.**
- Aarzo is a Science graduate from University of Delhi and is pursuing actuarial profession (has cleared 6 actuarial exams).



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