

# **Terms of Reference for Actuarial Valuations on Employees Benefits Schemes**

## **Context**

1. The Finance Department (FD), Government of Sindh, has rolled out Sindh Public Sector Management Reform Project (SPSMRP) in collaboration with World Bank with the aim to strengthen Public Sector Performance through improved revenue generation and expenditure management. The project supports government in improving upstream government systems, hence resulting in better policies and service delivery through two objectives a) improved Sales Tax on Services (STS) collection; (b) Transparency in budget formulation, allocation and execution.

2. Economic Reform Unit; Finance Department, Government of Sindh under Technical Assistance Component of World Bank funded project (SPSMRP), is seeking an experienced Actuary for Valuation of employees benefits schemes.

### 3. **Scope of Work:**

3.1. Conduct a detailed actuary study to determine present value of following post-retirement liabilities over time, charge for the year, and amounts to set aside for this purpose.

- a) Pension
- b) Commuted value of pension
- c) Gratuity
- d) Other pension (e.g. family pension)
- e) Reimbursement of medical charges to pensioners
- f) Superannuation Encashment of Leave Priority to Retirement (LPR)
- g) Medical Allowance to Civil Pensioners

3.2. Determine long term actuarial cost of Government of Sindh on the existing employees retirement benefit under the above mentioned heads.

3.3. Determine number of pensioners under each category (further bifurcation of family pension also required).

3.4. Determination of projected pension payments including commutation for the next 30 years.

3.5. Determination of projected pension payments including commutation for the employees seeking restoration of commuted portion of pension after the retirement. The current applicability

of restoration of commuted portion of pension applies approximately 11.5 years after the retirement.

3.6. Actuarial Valuation Report containing present and future service liability, long term pension cost and future contribution rates and projected future cash flows of the Pension Scheme.

3.7. Life expectancy analysis of the Government of Sindh civil servants and commentary on trends in life expectancy data.

3.8. Appropriate pension in contrast of the commutation factor to be suggested (considering the age and mortality).

3.9. Conduct a study to form a system with a simple procedure to facilitate the family of deceased officials to get the amount due to them and suggest any changes to make the existing system more workable.

3.10. Report showing the break-up of the monthly recurring pension bill into the following components for enabling further research and analysis and examine policy options going forward:

- a) Amount of pension attributable to the minimum pension;
- b) Breakup of pension taken by retiree family pension;
- c) Amount of recurring pension bill pertaining to restoration of commutation of pension;
- d) Amount of recurring pension bill pertaining to restoral of commutation amongst family pensioners
- e) Identify the quantum of pension where restoration of pension is due but not claimed / paid.
- f) Study focusing on the balances of 30<sup>th</sup> June during last 5 years i.e 2018, 2017, 2016, 2015 & 2014; how many cases of unsettled restoration / family pension claims remained unpaid and the quantum of such cases received each year.

3.11. Conduct a study on the aspects of defined contribution versus defined benefit in terms of Pension bill of Government of Sindh.

3.12. Report showing the possibility / impact in case of transfer of state pension to Voluntary Pension Schemes (VPS).

3.13. Report and ways to achieve / improve automated pension payment system of Government of Sindh.

**4. Provident Fund Liabilities:**

- a) Identify the past and current quantum of provident fund liabilities of Government of Sindh during last 10 years.
- b) Identify the difference between the amounts contributed by the employee and employer in the total provident fund liability of Government of Sindh.
- c) Study on the balances of last 10 fiscal years focusing on the profit rate applicable on the balances of provident fund liabilities in contrast with the discount rate of particular years.
- d) Suggesting a financing mechanism under which the existing system of settlement / management of provident fund liabilities could be improved.

**5. Selection/Eligibility Criteria**

- a) Qualified Actuary (member of the Society of Actuaries, USA, or the Institute of Actuaries, UK or any internationally recognized actuarial body).
- b) 10 year's professional/demonstrated experience of carrying out actuarial valuations for pension / employee benefit schemes.
- c) Preference will be given to the actuaries having experience of working on pension schemes / employee benefit schemes in the public sector / national pension scheme of the federal or provincial government.

**6. Timelines and duration of assignment:**

- 6.1. Times lines and duration for the study shall be 6 months from signing of contract.

7.

**IMPLEMENTATION & PAYMENT SCHEDULES**

ERU, FD envisages this as a lump sum contract, with a well-defined objective and timelines for a period of six months, tentatively, from July, 2019 to December, 2019.

Tasks	Frequency	Deliverables	Payment Terms (%)
1. Inception Report	<u>One month</u> from Signing of Contract	<ul style="list-style-type: none"> <li>Based on detailed consultation with Finance Department's wings and sections, present a roadmap for the respective studies, highlighting the areas to be covered and deployment of human resource.</li> </ul>	<b>15%</b>
2. First Study Report on Post-Retirement Liabilities	<u>Four months</u> from Signing of Contract	<p>Conducting a detailed actuary studies to determine present values of following post-retirement liabilities over time:</p> <ol style="list-style-type: none"> <li>Pension</li> <li>Commutated value of pension</li> <li>Gratuity</li> <li>Other pensions (Family pension)</li> <li>Reimbursement of medical charges to pensioners</li> <li>Superannuation Encashment of Leave Priority to Retirement (LPR)</li> <li>Medical Allowance to Civil Pensioners.</li> </ol>	<b>35%</b>
3. Second Study Report on Provident Funds Liabilities	<u>Five Months</u> from Signing of Contract	<ul style="list-style-type: none"> <li>Conducting studies on Provident Funds Liabilities of Government of Sindh during the last 10 years.</li> </ul>	<b>25%</b>
4. Consolidated Report on Actuarial Valuation of Employees Benefits Schemes	End of Activity ( <u>Six Months</u> from Signing of Contract)	<ul style="list-style-type: none"> <li>A Consolidate report, with details of both post-retirement liabilities and provident funds liabilities.</li> <li>Determine their present values and allocate respective amounts in budgets for their settlements</li> <li>Suggesting mechanisms to improve settlement/management of such liabilities in the future.</li> </ul>	<b>25%</b>

Tasks	Deliverables/Outputs	Months					
1. Inception Report	<ul style="list-style-type: none"> <li>Based on detailed consultation with Finance Department's wings and sections, present a roadmap for the respective studies, highlighting the areas to be covered and deployment of human resource.</li> </ul>	1					
2. First Study Report on Post-Retirement Liabilities	<p>Conducting a detailed actuary studies to determine present values of following post-retirement liabilities over time:</p> <ol style="list-style-type: none"> <li>Pension</li> <li>Commutated value of pension</li> <li>Gratuity</li> <li>Other pensions (Family pension)</li> <li>Reimbursement of medical charges to pensioners</li> <li>Superannuation Encashment of Leave Priority to Retirement (LPR)</li> <li>Medical Allowance to Civil Pensioners.</li> </ol>		2	3	4		
3. Second Study Report on Provident Funds Liabilities	<ul style="list-style-type: none"> <li>Conducting studies on Provident Funds Liabilities of Government of Sindh during the last 10 years.</li> </ul>			5	6	7	
4. Consolidated Report on Actuarial Valuation of Employees Benefits Schemes	<ul style="list-style-type: none"> <li>A Consolidate report, with details of both post-retirement liabilities and provident funds liabilities.</li> <li>Determine their present values and allocate respective amounts in budgets for their settlements</li> <li>Suggesting mechanisms to improve settlement/management of such liabilities in the future.</li> </ul>					8	9