**GROUP INSURANCE & RETIREMENT BENEFIT SCHEMES**

**L-83**

November, 2014

[ Time : 3 Hours ]

Answer **EIGHT** questions only. **Q. No. TEN** is compulsory which carries **16 marks**. Any **SEVEN** questions from **Q. No. 1 to Q. No. 9** which carries **12 marks each**

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### Q. 1. Write short notes on **any three** of the following:

- **a)** Irrevocable Trust
- **b)** Insurable Interest under Group Insurance
- **c)** Group Selection
- **d)** Nature of Gratuity Liability

### Q. 2.

- **a)** What is recognized Provident Fund?
- **b)** What benefits accrue to employer and employees under recognized Provident Fund?
- **c)** What are the conditions to be satisfied by Provident Fund to qualify for recognition under Income Tax Act, 1961 and Income Tax Rules, 1961?

### Q. 3. Distinguish between **any three** of the following:

- **a)** Creation of internal reserves and Funding Through Trust for gratuity schemes.
- **b)** Group Insurance for Employer Employee and Non Employer Employee groups.
- **c)** Indefinite funding method and Controlled funding method for pension schemes.
- **d)** Recognized and Unrecognized pension funds.

### Q. 4.

- **a)** Trace the history of development of Group Superannuation Schemes in India.
- **b)** Explain pattern of benefits available under the Superannuation Scheme.
- **c)** What are the conditions to be satisfied for setting up an approved Superannuation fund as per Part B of the 4th Schedule of Income Tax Act, 1961?

### Q. 5.

- **a)** What are the important conditions for setting and approval of a Gratuity Fund under the Income Tax Act, 1961 and Income Tax Rules, 1962?
- **b)** Briefly analyse the fairness and reasonableness of conditions in (a) above.

### Q. 6.

- **a)** Describe what do we understand by defining Eligible Groups in case of Group Insurance Schemes. Give the main features of these groups.
- **b)** What is the importance of Group size and minimum or compulsory participation in Group Insurance Schemes? What do we understand by the Employer contribution in such schemes and its purpose?
Q. 7.  
a) What do you understand by normal pension? Give general features of such schemes. 6

b) What are optional pensions? Give details of various types of optional pensions which are available. Also discuss the concept of commutation of pension and its tax advantages, if any. 6

Q. 8.  
a) What do we understand by the Experience rating? How it is useful in group insurance schemes? 6

b) Which are the factors that go in determination of experience rating factors? Also discuss various methods used in applying the experience rating. 6

Q. 9.  
a) State the advantages of running contributory and non contributory schemes respectively. 6

b) Compare the Pure Endowment system and Cash Accumulation system for gratuity funding. 6

Q. 10.  
a) An Annuitant, who has opted for Return of Capital option complains that as long as he was in the service of the company, the contributions made by the company under his name, towards Group Superannuation Schemes earned higher rate of interest, whereas if he works out the return on his Purchase Price at the time of retirement in terms of annuity he receives, he is earning lesser rate of interest. How will you explain him, that your calculations are correct? 8

b) State the Income Tax position from the point of view of both the employer and the employee (wherever applicable) quoting relevant sections of Income Tax Act, 1961 in respect of the following:- 2 each

i) Premium paid by the employer under Group Term Insurance in lieu of EDLI.

ii) Annual Contributions made by the employer under approved Superannuation Scheme.

iii) Income received by the Trustees in respect of investment in approved Gratuity Fund.

iv) Gratuity received by the employee on retirement.

END