

Retirement Policies “USA VS Bangladesh”





United International University

INTERNSHIP REPORT ON

Retirement Policies “USA VS Bangladesh”

Submitted to:

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Acknowledgments

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It is very difficult to complete such work without the co-operation of others. From the very outset, my seniors, colleagues, Team leader, General Manager of Data-path Limited helped me by giving their valuable time to provide me suggestions, answering my questions and helping me with different documents and materials. My extreme gratitude goes to Mr. Jim Hudson (President, Data Path Ltd) for giving me the opportunity to do my internship in the organization.

I also like to acknowledge July Business Services and Ashfaqur Rahman, General Manager, Data Path Ltd. for precious support all the time. My special thanks go to Morshedur summon (Team Manager), who was the supervisor of this research and gave me valuable suggestions to prepare this report.

Finally, I would like to thank my friends for their co-operation and honest suggestions.

Letter of Transmittal

To

Mohammad Amzad Hossain

Asst. professor in Accounting and Information systems (AIS)

United International University

Subject: Submission of internship report on Retirement Policies “USA VS Bangladesh”

Dear Sir

With due respect, I am really happy to submit you internship report on **Retirement Policies “USA VS Bangladesh”** which an obligatory part of the fulfillment of the internship program.

The entire report is based on practical experience on the American Retirement Benefit Plan and its reporting rules and regulations. This report will help to have in-depth knowledge about the differences between US retirement policies and the policies used in Bangladesh retirement plan. Your proper guidance also helped me to prepare this report.

I have tried my best to furnish all the things what I have learned at Data-Path Ltd. Besides, I collected the necessary data through unstructured interviews, different publications and related websites. I have devoted my effort to make the report representing the fact. I will be always available to interpret any issue regarding this report.

Thanking you

Yours sincerely

Md Ashif Miaji

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Major in Accounting

Executive Summary

This report explains diverse parts of Retirement plan process in USA and Bangladesh. And by making a comparative study I tried to figure out how effective and well regulated the USA Retirement Industry is and how much behind, unstructured we are in Bangladesh in this Retirement Plan sector.

At first the report describes about the USA Retirement method. There are some particular highlights of US retirement policy for which are so much mainstream and broadly utilized by both government and non-government association even in case of sole-proprietorship. The Governmental rules and regulations make saving polices very much. People in USA eagerly save their money and invest those money to stock market .Now there are more than 3000 Company in USA who work for establish a proper retirement plan .And government is providing education for these company's employee so they can be expert on to make retirement plan design

Then in second part I tried to describes about Bangladesh retirement Polices. Here only Governmental jobs have organized retirement polices but in private sector which are unorganized and fully unstructured. No proper guidelines for the retirement benefits like Gratuity, Benevolent Fund, Government accommodation, group insurance etc.

And in last enlighten in USA and Bangladesh retirement policy differs in some important points. The government rules, people's right, contribution to the economy, dependency, benefit amount etc. also differs. And I made few recommendations like government should concerned and sincere about protecting the right of the retired people. It is possible to build a great industry through provident fund in Bangladesh. This will report help to know more details about possibilities.

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CHAPTER -1

COMPANY OVERVIEW

1.0 INTRODUCTION:

Outsourcing includes the exchange of the administration and additionally everyday execution of a whole business capacity to an external specialist organization. The client organization and the supplier enter into a contractual agreement that defines the transferred services. Under the agreement the supplier acquires the means of production in the form of a transfer of people, resources and different assets from the customer. The client consents to get the services from the supplier for the term of the agreement. Off shoring is the transfer of a hierarchical capacity to another nation, paying little respect to whether the work is outsourced or remains inside a similar organization/company. Bangladesh has the potential market to achieve in the Outsourcing sector with a low priced labor country; huge supply of labor, training and development program for creating skilled workers is comparatively cheaper than other countries. As it is still an unrecognized market in the outsourcing part we are hoping not only to achieve standard as well as want to accomplish showcase authority in the outsourcing division here.

In today's cost-oriented, revenue driven business world, more organizations are remaining coordinated by turning to outsourcing as an instrument to spare time and expenses, while assuring revenue growth. That's why Data-Path (the outsourcing company) is solidly anchored in its pledge to conveying quality administrations to help parent association July Business Services of USA to reduce costs while achieving more strategic business objective

1.1 HISTORY:

In 1980s, the president of the July business services Jim Hudson started his retirement specialization when he was pursuing career as CPA. After some period he became known as specialist in this field and has been responsible for developing and managing a large retirement plan practice before established July Business service in 1994. John Humphrey is the co-founder the July business services who is also an expert in Certified Public Accountant, providing tax consulting services.

1.2 BEGINNING OF JULY BUSINESS SERVICE:

July Business Services started its activities in 1995, without any customers and a not very much expert office suite. During the early years, administration attempted to create vital business organizations, enlist key representatives, and make business procedures and strategies. The company's advertising efforts brought about imperative referral connections, including investment consultants, MF (mutual fund) organization, banks, and brokerage firms. These connections helped to create modest growth over the initial years. At the ending of 1996, July Business Service achieved more than 250 clients and five employees. Today its management team brings has over 40 combined years of industry experience, and its employees include experienced consultants with certifications from leading industry organizations. It currently serves more than 3,900 Retirement Plans in 48 states and to do these plans on a timely and efficient manner it included complete Plan administration outsourcing for national retirement plan providers, including conversions of large numbers of existing client relationships. Data-Path is working as Branch Office to give the full working support to July Business Services to meet its goal successfully. It has established in 2005 with a small office in Uttara and with only 10 employee .Now it has more than 135 employees.

1.3 CORE VALUES:

They believe Core values encourage behaviors throughout their company that will help them fulfill their mission, vision and goals. It believes that following these core values are keys to success: Accountability, Celebrate success, Commitment to excellence, Commitment to people Creative solution, Effective communication, Embrace diversity, Focus on pro-active solution, Integrating outstanding service, etc

1.4 BUILDING TEAM:

From 2008 through 2010, In these few years Data Path achieve an extensive development and recruit and trained a number of key employees and partnerships. During this time, company management achieved the accompanying key goals:

- Developed Foundation for Employee Culture.

- Improved Efficiency of Service Delivery.
- Implemented New Business Team.
- Created Client Consulting Teams.
- Created ERISA Consulting Team.
- Created Dedicated Distribution Team.

1.5 BUILDING STRATEGIC PARTNERSHIPS:

July has established a close relationship with specialist to make accessible the best in retirement services. With its various and combined procedures it can able to offer complete retirement plan services for its clients and its members.

- **Mutual Fund Families:** They have lots of mutual fund partners who are helping to create diversified portfolios for participants. With these relationships they can provides a complete and full service package. These mutual fund partners provide high quality mutual fund investment choices.
- **Record keepers:** Its recordkeeping employees provide retirement plan platforms with multi-subsidize (fund) family investments, on-line member access, complete fiduciary services, investment counseling, and numerous other vital plan features. Through these associations, July provides complete service and compliance testing.

July's recordkeeping's employees provide you with access to automated retirement plan platforms complete with internet access, daily valuations, and diversified investment options.

1.6 SERVICES OFFERED:

July Business Services and on their behalf Data-path Limited is providing the following services to its US business clients.

1. Plan Design
2. Plan Setup

3. Plan Administration

4. Participant Services

1. **Plan Design:**

It makes retirement plan to meet the special objectives of every organization. It ensures best recruitment process to expertise in design the best plan for clients.

2. **Plan Setup:**

It gives the greater part of the administrations to effectively setup retirement plan or to change over existing plan from current provider.

2.1 Plan Documents:

It offers extensive plan records arranged by experienced ERISA advisors. Its abilities include:

- Prototype Plan Documents
- Volume Submitter Documents
- Summary Plan Descriptions
- Loan Policies
- QDRO Procedure
- Other Required Forms

2.2 Plan Setup & Conversion:

Data-path's committed setup group gives hands-on administrations to organize all parts of plan setup or change. Their administrations include:

- Prepare Enrollment Materials
- Coordinate Enrollment Meetings
- Prepare Setup Paperwork
- Contribution Submission Procedures
- Coordinate Transfer of Assets
- Prepare Letter to Previous Provider

3. Plan Administration:

Data-path's specialists have more than 5 years of plan organizational experience and can effectively work specialized field. They dedicatedly serve clients.

3.1 Plan Operation Support:

It knows how to provide in accordance with customer need and to maximize the value of plan, including telephone and e-mail access to its consultants. Its services include the following:

- Eligibility Calculations
- Contribution Allocations
- Vesting Calculations
- Distribution & Loan Processing

3.2 Compliance Testing:

Account Team provides complete compliance testing services to maintain the integrity of plan. Testing services are;

- Top Heavy Testing
- ADP & ACP Testing
- Minimum Coverage Testing
- General Nondiscrimination Testing

3.3 Tax Compliance:

It also provides Tax Related services as such

- Form 5500
- Form 1099-R & Form 945
- Form 5330 (when needed)
- Form 5310 (for plan termination)

3.4 Recordkeeping:

Recordkeeping Team try to give ultimate services through keeping the all information or record related of July's daily valuation

- 24 Hour Internet Access
- Daily Valuation of Accounts
- Plan Sponsor Account Access
- Quarterly Participant Statements

4. Participant Services:

A great plan gives participant a great financial future, so July helps all participants to achieve a secure financial future.

1.7 ENROLLMENT MATERIALS:

July gives proficient enrollment materials manage members in settling on enrollment and investment choices. These materials for the most part incorporate the accompanying:

- Enrollment Workbooks
- Investment Education
- Risk Profile Worksheet
- Investment Fact Sheets
- Enrollment Forms

1.8 INVESTMENT ADVICE:

July provides investment advice for its clients and guidance to increases their chances of achieving a secure financial future, Here in Bangladesh, Data-Path gives all the managerial work to July Business Services and presented the softcopy of the greater part of its work through its own particular network

1.9 ORGANIZATIONAL STRUCTURE:

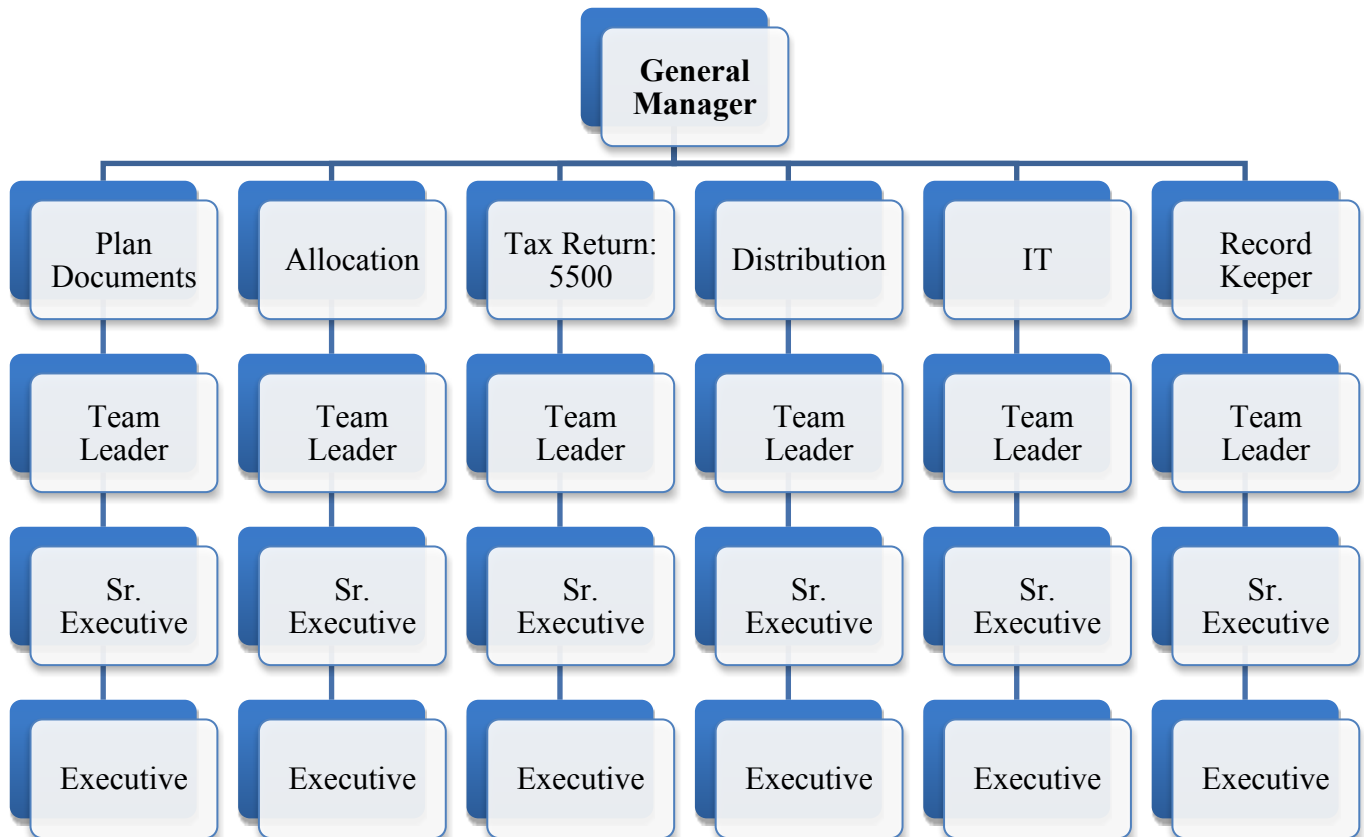


Figure No: 01

CHAPTER -2

2.0 ORIGIN OF THE REPORT:

It is very much essential for business students to link theoretical knowledge with practical experience. Internship program gives students opportunity to learn from the real business arena. It is a perfect opportunity to link theoretical knowledge with practical experience. This report “Retirement polices USA vs. Bangladesh” is to fulfill the requirement of my internship program.

While as a student of BBA I got the opportunity to involve myself into the professional field. Data-Path Ltd. (A leading outsourcing company) gave me the opportunity to have some practical professional experience which helped me a lot to cover the topic that is required to fulfill my internship program.

I worked in Data-path from 15th January to 30th April. During this period I have learned important issues regarding US retirement plan industry, the rules & regulations that guides it and also came to learn about the Current situation of Bangladesh Retirement Industry which influenced me to make a comparative study between US Retirement plan and the Retirement Plan system of Bangladesh. The reports will describe how effective the US Retirement Industry is and what is the procedure we should follow in Bangladesh Retirement planning process to made it an effective one.

2.1 RATIONALE OF THE STUDY:

In Bangladesh, retired public has turned into a critical concern for the society, but in the same way as other non-developed countries, there is no government managed savings framework. It assumed that with going time and extent of population, retired sector will one of the major problem of Bangladesh like scarcity of resources, existing poverty, insufficient health facilities and absence of social security.

In Bangladeshi society, the elderly getting the low attention from government and has not subjected to demographic research. Following 10 years, severe issues concerning retired will occur in the country which will influence the financial sectors. As a result the elderly people will experience diminishing capabilities.

To facilitate them, the retirement benefit system in Bangladesh should be much more organized both in the public sector and also in the private sector. The government rules and regulations are not well organized to protect the employee benefit. Their employees are not aware about their retirement benefit. The regulatory body to protect the employee benefit is not taking the necessary steps to protect the employee right and benefit. The rules regarding the employer contribution is not up to date with the time. The nature of retirement benefit is not specifically defined or determined in the private sector whether the benefit will be the defined benefit or the defend contribution. There is no specified benefit plan in the most of the organization which can give the old age security to their employee. There is no step taken by the employer to reduce the discrimination among the highly compensated employee and non-highly compensated employee.

The US government is very concerned and sincere about protecting the right of the retired people and securing them financially in retired life. To gain tax benefit advantage and to attract employees most of the organizations adopt retirement plan. The rules and regulations and the reporting procedure of American retirement plan are very complex. To understand all the things and act accordingly is very difficult even for US organizations. And it is very expensive to keep in house retirement plan reporting department. That's why they hire Third Party Administrators (TPA) to prepare year end reports. This difficult nature of the work makes it more difficult to train new employees to prepare allocation reports. Both the trainees and the trainers face different problems during and after training period.

2.2 PROBLEM STATEMENT:

USA government is very much concerned to protect the right of retired people and they strictly provide services to the old people after retirement and secured the financial future. The rules and regulations and the reporting procedure of American retirement plan are very well designed. They also provide tax benefits on pension fund.

In Bangladesh pension policies are not structured like USA. From 1974 they are same rules and regulation for retirement benefits, there is no changes in policies.

2.3 SPECIFIC OBJECTIVES:

The particular goal of this report is to recognize the distinctive thoughts regarding the American retirement benefits plan. Accumulating information and implementing those ideas to improve our retirement benefit sector in Bangladesh.

2.4 BROAD OBJECTIVE:

The wide destinations of this report are:

- To know about the USA and Bangladesh retirement plan Industry.
- To know about the governance and transparency of their retirement plan.
- To know about the procedure maintained by the employer to narrow up the discrimination between the HCEs and NHCEs when they are making the employer contribution.
- To know about the IRS and the DOL.
- To know whether Bangladesh has the opportunities to build an industry in retirement plan.

2.5 SCOPE OF THE REPORT:

Scope means the base where the report is stand or has to be done. So in this report I tried to cover the way and procedures of how Data-path is working for July business services and also highlighting in the retirement polices in both USA and Bangladesh.

2.6 METHODOLOGY:

I have collected the information for this report from both primary and secondary sources.

Primary Sources:

- Observation of the assigned department.
- Face to face conversation with the respective employers of the department.

Secondary Sources:

- Various articles, collections, internet etc on IRS, RPF, ERISA.
- Previous reports of gone plan.

2.7 DATA/INFORMATION COLLECTION:

Information is gathered from the secondary sources for the most part from the Internal Revenue Service (IRS) and Department of Labor (DOL) Guidelines. And the other sources of information are the ASPPA (American Society of Pension Professional and Actuaries) indexes, productions and ASPPA manuals. There two types in Data collection details is given below

Types of Data Collected:

- Primary data
- Secondary data

Data collection Method:

For Primary Data:

- Personal interview

- Personal observation

For Secondary Data:

- Data-path and July Database
- Printed publications
- ERISA online CD
- Internet

2.8 LIMITATIONS:

- They maintain a strict privacy for their Clients such as the Social Security Number (SSN) of the participant, compensation procedures, employer contribution or profit sharing procedures and even also photographed paper they don't allow to take outside of the office.
- They don't have enough publication to know about their company.
- They put lots of working pressure so it was hard to get enough time from interviewees to accumulate data from them.
- As the congress change the principles and directions consistently relying on the financial and monetary systems so it is hard to incorporate all refreshed standards and controls

CHAPTER -3

RETIREMENT PLANS INDUSTRY IN USA

3.1 BACKGROUND:

The Employee Retirement Income Security Act of 1974 (ERISA) was signed into law on September 2, 1974. It established an elaborate system of regulations covering virtually every employee benefit plan and literally wrote the framework upon which subsequent employee benefit legislation has been built. Often, references to ERISA encompass not just the legislation enacted in 1974, but the body of legislation that followed and currently governs employee benefit plans.

Within the context of the ever-changing qualified plan rules and regulations, today's retirement plan professionals must meet several challenges: they need to understand thoroughly the complexities and interplay between qualification requirements and plan administration, keep up-to-date with the sometimes chaotic legislative environment, effectively explain the evolving rules and their consequences to plan sponsors and participants and professionally and efficiently implement changes where necessary.

Retirement income planning begins with the basic premise that all employees desire economic security throughout their lifetime. As part of the planning for that economic security, most employees anticipate a reduction in earnings upon retirement and intend to offset this reduction with personal savings that supplement employer-sponsored pension benefit plans and governmental programs such as Social Security.

Traditionally, these three elements (personal savings, employer-sponsored pension benefit plans and Social Security) combine to become the three-legged tool supporting retirees. However, each leg of the tool often is not perceived as equal in strength. The confidence level in the Social Security leg of the tool, particularly for average workers under age 45, is low. Many also worry that within the current economic environment they will be unable to accumulate adequate personal savings before reaching retirement age. With two of three legs on shaky ground, today the three-legged tool model is being strengthened by the addition of a fourth leg — continued employment. Presently, many of us choose or are required to continue working past retirement age in order to remain active, to increase income or both.

3.2 TYPES OF RETIREMENT PLAN IN USA:

Basically in USA, there two major types in retirement Policy:

- Welfare Benefit Plans
- Pension Benefit Plans

In USA's Corporation they follow Pension Benefit Plans for their employee as retirement benefits; there are two more types in pension benefit plans

1. Defined Benefit Plan
2. Defined Contribution Plan

3.3 DEFINED BENEFIT PLANS:

A Promise to give specific benefit in future as retirement benefit rather than defining the contribution to be allocated into an employee's personal account ,is called defined benefits plans.

In comparison to a defined contribution plan that generally dictates a certain contribution amount each year; these plans define the amount of retirement benefit to be paid. The actual level of benefit is calculated using a formula stated in the plan document. The advantage is typically payable at a predetermined future time, for example, fulfillment of age 65. A few Plans likewise give benefits upon the handicap or passing of the member before retirement.

Defined benefit plans normally express the benefits to be paid as an annuity, a progression of for the most part level with installments made at indicated intervals, such as month to month or yearly. Ordinarily, payments start at the typical retirement age picked by the plan, frequently fulfillment of age 65, with payments finishing upon the death of the employee. This is known as a life annuity since payment reach out finished the lifetime of the retired employee.

Unlike a defined contribution plan, defined benefit plans do not to keep up a different record for every employee. The greater part of the plans in the benefits is accessible to pay the promised amount. Since the benefits must be paid paying little mind to the measure of investment gains or

losses, the Employer expect the investment risk. Consequently, investment gains or losses incurred by the plan's assets serve to decrease or increase employer costs. In this report we will focus only on the Defined Contribution Plans

3.4 DEFINED CONTRIBUTION PLANS:

A **defined contribution plan** is sometimes known as individual account plan because a single account is preserved for each single employee. These types plans the amount to be placed into the employee's account .For example, a plan may provide that each qualified member will receive an allocation, or share of the total plan contribution, equivalent to 5 percent of his or her pay. Or, the plan may characterize a participant's contribution as a specific dollar amount, for example, \$1,000

Example: John works as an IT executive for ABC Corporation and earns \$30,000 during the year. If the plan provides contributions equal to 5% of compensation, John will receive an allocation of contribution for the year in the amount of \$1,500 ($\$30,000 \times 5\%$). This amount will be deposited into his individual account under the plan.

In this plan the participant bears the investment risk because there is no guaranteed or promised amount paid to the participant at retirement. The aggregate benefit from the plan will be the accumulated value (total contributions plus total earnings) of the participant's account at the time of termination of employment. Although the participant's contribution amounts will be contributed under the arrangement with the expectation of increasing in value, investment results are not ensured and do not affect the employer's cost. Rather, the employer's defined contributions are the extent of the employer's commitment to the participant's retirement income. In this manner, the participant will reap the rewards of positive investment earnings but also bear the brunt of any investment losses.

Example; Sample Employee Statement:

The investment related portion of a sample employee statement might look like:

XYZ Corporation Profit Sharing Plan

Statement of Account for the Plan Year Ended December 31, 2017

Participant: John

Beginning Account Balance as of January 1, 2017	\$10,000
Employer Contribution	\$2,250
Investment Gains/(Losses)	\$1,000
Ending Account Balance as of December 31, 2017	\$13, 250

3.5 TYPES OF DEFINED CONTRIBUTION PLANS:

There are many types of defined contribution plans. These plans keep up a different record for every individual employee. Every one of these plans defines the commitment sum to be kept into the employee's record. The employee bears the investment risk that there is no guaranteed benefits to be paid at retirement like in a defined benefit plan.

Types of Defined Contribution Plans are:

- ❖ Profit Sharing and 401(k) Plans;
- ❖ Safe Harbor and 401(k) Plan
- ❖ SIMPLE Plans;
- ❖ Money Purchase;
- ❖ Stock Bonus and
- ❖ Other types of tax-advantaged arrangements.

DESCRIPTION OF DIFFERENT TYPES OF DEFINED CONTRIBUTION PLANS

3.5.1 PROFIT SHARING PLANS:

Through a profit sharing plan, Participants can be rewarded with an offer in the employer's income, which was produced to a limited extent because of their efforts. The employer may practice discretion over the sum added to the plans every year and need not construct the commitment with respect to genuine benefits. Accordingly, the plan does not need to state explicitly what amount will be contributed every year, except it must contain a particular equation for distributing any commitment made to employee.

Example: Profit Sharing Allocation: An employer contributes \$30,000 to its profits sharing plan for the present year. The allocation formula expresses that an employer will give in the commitment in proportion to the participant's compensation. If the sum of compensation for all plan employees qualified to share in the profit sharing contribution is \$300,000 and a member's individual pay is \$30,000, the member will be allotted 10% ($\$30,000/\$300,000$) of the business commitment, or \$4,000.

Thus, an employer frequently chooses a benefit sharing plans for its participants since it can decide every year the amount to contribute to the plans in light of its financial condition. The employer may not choose to make a commitment for a specific year should the business atmosphere be not as much as productive with almost any benefits, or when the pay is required for different operational expense.

In spite of the fact that the employer has no settled yearly commitment duty under a benefit sharing plan, benefit sharing commitments must be generous and repeating with a specific end goal to keep the arrangement from being viewed as ended. The employer can pick the measure of the benefit sharing contribution every year; the most extreme sum the employer can deduct on its assessment form is 25% of the aggregate qualified pay of all employees.

3.5.2401(k) Plans:

It is one kind of Defined contribution plan where a participant can save from her/his salary before or after tax depending on the design of the plan. To encourage employee for retirement saving, today various employers are supporting the extremely prominent compensation deferral plan as described under Internal Revenue Code Section 401(k).

There are a few kinds of contributions in 401 (k) plans that are describe below:

- **Elective Deferrals:**

The CODA feature of a profit sharing plan allows participants to choose deferent part of his/her income into the 401(k) plan on a pre-tax basis for getting these amounts as assessable salary. These contributed amounts are on the other hand called as employee elective salary deferrals, elective contributions, employee salary deferrals, elective deferrals, or simply salary deferrals. As a rule, we will refer to these contributions all through this course as elective deferrals.

Every participant is subject under IRC 402(g) to an individual point of confinement in regards to the aggregate sum the representative can contribute as elective deferrals to each of the 401(k) plans in which the participant takes part during a schedule year

For example: if an individual worked for two unique employer during the calendar year and contributed into every employer's 401(k) design, the limit would apply to the person's consolidated elective deferrals into the two employers gets for that calendar year. In that capacity, the utmost isn't particular to the arrangement but instead is particular to the person. This greatest elective deferral sum is some time called the 402(g) dollar limit. As per the Internal Revenue Code, the maximum elective deferral limit is balanced every year for cost-of-living increases under a procedure called indexing, or it might be set at a predetermined level as a major aspect of an authoritative change.

For 2009, \$16,500 is the maximum elective deferral amount that an individual can contribute into all 401(k) plans under which the individual is eligible to participate during the 2009 calendar year.

- **Catch-Up Contributions:**

Catch-up contributions are additional elective deferrals that can only be made by certain older plan participants. To achieve catch up contribution employee need to be 51 years old in this calendar year. Catch-up contribution have been permitted in acknowledgment of changing social circumstances and the expanding significance of the employer supported retirement plan leg of the three-legged stool.

Example: IRC 402(g) Limit. Jason, age 51, defers the \$16,500 maximum elective deferral for 2009 into his employer's plan. Having earned \$45,000 for the year, he chooses to contribute another \$5,500 into the plan as the maximum admissible catch-up contribution. Altogether, \$22,000 will be credited to his individual record under the 401(k) get ready for the year.

- **Designated Roth Contributions:**

A 401(k) plan may acknowledge assigned Roth contributions. This is another choice participants can use to put something aside for their retirement. Assigned Roth contribution is viewed as elective deferrals aside from that they are made on an after-tax premise to a 401(k) or 403(b) design.

The profit produced by the assigned Roth contribution are tax exempt when circulated if the appropriation is made after the employee is age 59½, and five years after the main assigned Roth contribution was added to the 401(k) design.

- **Matching Contributions:**

In conjunction with elective deferrals and to urge participants to defer at higher amounts into the 401(k) plan, the employer may make coordinating contribution that equal to all or some portion of the participant's pre-tax elective deferrals and allocated Roth contribution.

For example: an employer may contribute 50% (or match \$.50 for each \$1.00 deferred) up to the first six percentages of compensation the employee defers to the 401(k) plan. As example, the employer knows its maximum cost for matching contributions to the 401(k) plan is three percentages of the compensation of applicable participants (half of the 6% of compensation) and can make the appropriate budget provisions for paying the employer match into the plan.

- **Non-elective Contributions:**

Since the CODA or 401(k) profit sharing plan is really an element of a benefit sharing arrangement, the employer may choose to make an optional contribution under the profit sharing provisions of the plan. Organization contributions to 401(k) plans, other than elective deferrals and matching contributions are known as non-elective contributions.

Employer non-elective contributions are liable to non-discrimination testing rules under the Internal Revenue Code to show that they don't give excessively more prominent advantages to the highly paid participants, a group which typically includes owners and highly paid employees of the employer.

3.5.3 Safe Harbor 401(k) Plans:

It is similar to traditional 401(k) plan, here employer contribute for all participants. Their contributions in this kind of plans are quickly 100% vested. It eases organization burdens on employers by removing some of the complex tax rules ordinarily applied to traditional 401(k) plan. Generally this plan provides contribution in three ways:

- ❖ Basic Match
- ❖ Enhanced Match
- ❖ SH 3% Non-Elective

3.5.4 Simple Plans:

Savings Incentive Match Plans for Employees (SIMPLEs) are designed to address the necessities of independent companies and proposed to qualified plan organization for their sponsors, a SIMPLE must be the main plan supported by employer, and just employer with 100 or less participants may use SIMPLE's. Every single SIMPLE plan are absolved from nondiscrimination testing provided the employer makes the required contributions

3.5.5 Money Purchase Plans:

From the employee's point of view, a money purchase plan looks fundamentally the same as a P/S (profit sharing) plan in that both are personal account plans. The distinctions, be that as it may, are considerable. While an employer may choose every year what level of profit sharing contribution it wishes to make, assuming that in a money purchase plan the employer contribute a particular sum or percentages of the participant's compensation to the plan every year. The particular commitment recipe is built into the arrangement record, and the commitment is required to be made under the base financing necessity of 'IRC 412'.

Failure by the employer to meet the contribution or funding requirement will result in a 10% excise tax on the amount not contributed, the minimum funding deficiency, and payable by the employer. This amount is in addition to the required money purchase contribution.

Hence, in outlining a money purchase plan contribution equation, employers must be ensure that they will have the capacity to contribute required amount on an on-going premise and should mark the Contribution level as needs be. For least financing purposes the Contribution is by and large due 8½ months after the end of the plan year. This due date might be not quite the same as the Contribution due date for deductibility purposes.

In most money purchase plans, the technique for allotting the Contribution to an employee's record is the same as the Contribution formula. But they don't need to be the same. For instance, the Contribution equation may be 5% of the aggregate qualified pay of all plan employees. Once the dollar measure of the Contribution for the year has been resolved, it could be designated to the employees based on their age and administration years, or in such a way as to consider the Social Security charges an employer pays in the interest of an employee.

Example: Money Purchase Allocation: Sam earns \$30,000 from ABC Company, sponsor of a money purchase plan that contains a contribution formula of 10% of eligible compensation. The plan's allocation formula is the same as the contribution formula. Sam's required allocation for the year would be $\$30,000 \times 10\% = \$3,000$.

3.5.6 Stock Bonus Plans:

It is a profit sharing plan that basically distributes shares of company stock as benefits to terminated or retired worker. As a profit sharing plan type, stock bonus plans are permitted to have optional Contribution formula, and Organization have the alternative of contributing as money or organization stock. At the point when money contribution is made to the plan, they are ordinarily at that point used to buy organization stock under the plan. If the company stock isn't an public stock that might be exchanged on the open market, employees getting distribution have the privilege to sell their shares back to the company for cash at specified times as determined by the company.

3.6 BASICS OF PLAN DESIGN:

Given the legal, financial, accounting, internal resource management and tax ramifications surrounding the institution of a qualified retirement program, an employer is all around instructed to look for the guidance with respect to its accountant, attorney and retirement plan professional for help with deciding the kind of qualified plan most suitable to best serve the interests of the company and its employees. Also, the contribution of any human resource staff should be appropriately considered.

The valued input of accountants and attorneys being readily understood, the employer will pick up retirement plan skill by connecting with a retirement plan professional whose underlying part is to enable the business to center around the most useful plan for its individual circumstance. Through clarifications of the different kinds of plans by means of broad information assembling about the employer, some of the more important of these would be:

- Employee demographics such as age, years of service, salary levels, and size of the employee population
- Consistency in the level of the employer's benefits;
- Prospects for proceeded with benefits to support the retirement design;
- Tax deductibility of contribution;

- Employer's should have the capacity to compete for qualified participant;
- Plan highlights intended to profit particular participants as maintenance incentives;
- Ease of organization and effect on a business' HR and finance staff.

Balancing these and other employee and employer-based considerations, therefore, results in an efficient and successful plan design. The following segment talks about the tax deduction limits of the different sorts of plans which can assume a part in deciding the fitting retirement anticipate the employer.

3.7 CONTRIBUTIONS AND DEDUCTIONS:

- **Contributions**

The contributions and distributions segment of a defined contribution plan document clarify how the measure of required or optional commitment is resolved. For example, while money purchase plans contain a required contribution formula, sponsors of profit sharing plans appreciate carefulness in the measure profit sharing contributions made every year .Prominently, sponsors of profit sharing plans may contribute amounts that exceed current or accumulated profits, and consequently the arrangement archive ought to be deliberately checked to see how a support will decide its benefit sharing commitment. Any business coordinating commitment equation for 401(k) designs likewise will be indicated in the arrangement report.

- **Deductibility of Employer Contributions**

Managers conventionally expect and need plan contributions to be deductible under the Internal Revenue Code, and there are various measures that impact the deductibility of employer contributions made to a retirement plan .In this manner, more often practice for a retirement plan association firm to give responsibility data to a plan sponsor so the support's tax advisors may affirm deductible sums and commitment due dates.

This information with respect to contribution may include:

- The minimum required contribution amount;
- The proposed contribution amount;

- The top level contribution amount; and
- Any due dates for keeping plan Contribution.

The most extreme tax-deductible contribution for an employer sponsoring a profit sharing plan, money purchase plan or both a profit sharing and a money purchase plan is 25 percent of the total payment of qualified members

3.8 BASIC PLAN DOCUMENT LANGUAGE:

3.8.1 Compensation:

The meaning of compensation is typically referenced in the advantage and commitment or distribution segments of a plan document. Compensation for benefit and contribution purposes regularly incorporates the total salary or benefits of an employee. However, plan sponsors are permitted to incorporate or avoid certain segments of remuneration, for example, elective deferrals, and moving costs, so long as the result is a definition of remuneration that does not inappropriately support high-paid employees. In this way, employer has level of adaptability in controlling the qualified payment which shall be used by plan for calculating benefits.

3.8.2 Eligible Employees:

Classifying the employees who are allowed to have under the plan and get the benefits. Non-resident alien with no U.S. source income are not eligible employee and other than all resident will get the benefits. Only the non-resident employee will get a collective bargaining agreement i.e., union employees

3.8.3 Fiscal and Plan Year:

The plan financial / fiscal year will be referenced in the definitions segment of the plan document. These periods may not generally harmonize. For instance, organization may utilize the calendar year as a fiscal year for administrative ease, given that they must issue W-2s and similar tax and accounting filings to employees on a calendar year premise. For simplicity of administration of the plan, they may utilize the schedule year as the plan year enabling them to give information to the plan for the indistinguishable timeframe for the corporate filings.

3.8.4 Normal Retirement Date and Age:

A few drafters of plan documents isolate meanings of ordinary retirement date and typical retirement age, while others put together the two into one definition. The meaning of ordinary retirement age normally is a particular age, for example, age 65, or a predetermined age and time of service, for example, age 65 and the 5 anniversary of the date the participant first entered the plan.

3.8.5 Hours of Service:

The hours of administration definition is a genuinely standard definition in every single qualified plan as it must mirror Internal Revenue Code and DOL necessities. Workers generally win or gather hours of service for any hour paid, which may incorporate time for vacation, holidays, jury duty, illness or military leave. Additionally, the utilization of the plan demonstrates the quantity of hours required during the plan year, if any, to fulfill qualification, vesting and contribution allocation requirements.

3.8.6 Year of Service:

There are a few routinely utilized meanings of year of administration. The most widely recognized is characterized as a successive year time frame in which the worker has worked or is qualified for installment for no less than 1,000 hours of administration. To rearrange vesting figuring and the portion of contribution the year time frame will by and large be the same as the plan year, as this guarantees all participants' service will be estimated over a similar a year.

3.8.7 Leave of Absence:

The meaning of a one-year break /leave in employment is depends on Internal Revenue Code requirements and for the most part is a 12-month period comparing to the plan year in which a participant does not complete more than 500 hours of employment . If the plan measures service using elapsed time, then a one-year period of severance is a 12-month period in which an employee does not work.

3.8.8 Highly Compensated and Key Employees:

Essential to this principle is the statutory meaning of highly compensated employee (HCE). For the most part, a HCE is any participants who fulfill either the possession or the pay test.

1. Ownership Test:

An employee satisfies the ownership test if the employee is a 5% owner. A 5% owner is defined as any employee who owns, directly or indirectly, more than 5 percent of the business regardless of compensation.

2. Compensation Test:

An employee satisfies the compensation test if the employee earns more than \$120,000 (as indexed for 2017) in the look back year. The compensation used is the employee's total compensation including any elective deferrals, such as those to 401 (k) plans and cafeteria plans, as well as qualified transportation fringe benefits.

3.8.9 Top-Paid Group Election:

Employer may create a system to determine HCE through a percentage calculation such as 20% of top ranked by compensation will consider as HCE, This election, known as the top-paid group election, must be in the plan document, or the plan document .For purposes of determining the number of employees to include in the top 20 percent, the following employees may be excluded from the calculation:

- ❖ Those who have not finished a half year of administration before the year's over;
- ❖ Those who typically work under a half year for every year;
- ❖ Those who typically work under 17% hours for every week; and
- ❖ Those more youthful than age 21.

3.8.10 Non-Highly Compensated Employee:

Any employee, who is not an HCE, is a non-highly compensated employee (NHCE).

3.8.11 Key Employee:

The plan document is also required to contain sections that explain the top-heavy requirements for qualified plans. Top-heavy plans are those plans that are deemed to benefit primarily a group

of participants called key employees, and as a consequence, these plans must meet special standards regarding vesting and minimum contributions or benefit accruals.

For purposes of top-heavy testing, a key employee is any employee or former employee who, during the testing period, is a 5% owner, a 1 % owner or an includible officer.

3.8.12 Eligibility and Participation:

The definitions section of the plan document will typically incorporate a reference as to how a participant fulfills the plan's eligibility requirements. This has excluded those who will not have the benefits by narrowing the list such as:

- ❖ Those employees who have not worked a specific number of hours or months; or
- ❖ Have not accomplished a specific age; or
- ❖ Who are individuals from a particular gathering, for example, such as union employees

This area shifts impressively from plan to plan on the grounds that each plan sponsor will select allowable qualification and interest prerequisites that best suit its objectives and mirror the composition of its workforce.

3.8.13 Eligibility Date:

The Internal Revenue Code allows an employer to require an employee to achieve age 21 and finish a time of service before the employee ends up qualified to participate in a plan. For plans that provide full and immediate vesting (immediate 100% ownership of benefits upon entry into the plan) an employer may condition participation on the completion of more than one year of service. In such cases, the maximum service period that can be required is two years. There is a critical special case to this rule for the 401 (k) features of profit sharing plans, under which the maximum eligibility period for elective deferrals may never exceed one year, regardless of vesting provisions.

3.8.14 Entry Date:

The effective date of an employee's participation is the plan entry date, or simply the **entry** date. There is a distinction between the dates an employee ends up qualified to partake in the plan by completing all requirements for eligibility and the date that the employee actually becomes a participant under the plan.

3.9 MINIMUM COVERAGE TEST:

Under the coverage rules, a plan or independently tested plan segment fulfills qualification requirements if it satisfies either one of two accessible tests:

- **Ratio Percentage Test**

Under the ratio percentage test, the percentage of NHCEs who benefit under the plan must be at least 70 percent of the percentage of HCEs who benefit under the plan.

Certain employees may be excluded (excludable employees) for coverage testing. They are:

- ❖ Active employees who don't fulfill the plan's base age and service requirements for entry into the plan;
- ❖ Union workers if not in excess of 50 percent are proprietors, officers or administrators of bosses secured under the arrangement if not in excess of 2 percent are very –compensated people who perform proficient administrations for the businesses under the arrangement and if retirement benefits were the subject of good confidence dealing;
- ❖ Nonresident who get no U.S. source salary; and
- ❖ Terminated representatives who fulfilled the qualification prerequisites yet worked 500 or fewer hours in the plan year and did not profit in the arrangement during the plan year.
- ❖ In deciding the NHCE and HCE profiting rates, the accompanying participants must be incorporated (non-excludable workers):
- ❖ employees effectively at take a shot at the most recent day of the arrangement year who met the qualification necessities (dynamic employee);

- **Average Benefit Test**

If the ratio percentage test is failed the average benefit test exists as an alternative. The average benefit test contains two parts, both of which must be satisfied:

1. The nondiscriminatory classification test; and
2. The average benefit percentage test.

In expansive terms, a plan passes the nondiscriminatory classification test if the characterization of employees who advantage under the plan is both: 1) reasonable, that is the classification is based on objective business criteria such as location, and 2) nondiscriminatory.

3.10 NONDISCRIMINATION TESTING:

Under the Internal Revenue Code, qualified plans may not segregate for the highly compensated in the level or measure of benefits provided to plan participants. Every year, to exhibit consistence with these statutes, a qualified 401 (k) plan must demonstrate that HCEs are not contributing either pre-tax or after-tax in excess of an admissible level of their compensation, and also are not getting in excess of a permissible rate as a matching contribution. Passing the actual deferral percentage (ADP) test and the actual contribution percentage (ACP) test demonstrates compliance. Alternately, a plan can be designed to satisfy the rules automatically with a safe harbor 401(k) plan design.

3.11 SOME IMPORTANT TESTING DEFINITIONS:

- **Deferred Compensation**

Deferred compensation is an arrangement in which a portion of an employee's income is paid out at a later date after which the income was earned. Examples of deferred compensation include pensions, retirement plans, and employee stock options.

- **Elective Deferrals**

Elective Deferrals are sums added to an plan by the employer at the participant's decision and which, but to the degree they are assigned Roth contribution, are excludable from the employees gross salary. Elective deferrals include deferrals under a 401(k), 403(b), SARSEP and SIMPLE IRA plan.

- **Non-elective Contribution**

Non-elective contribution can fluctuate. For instance, an organization can pick to contribute 30% of every representative's pay toward his or her boss supported retirement plan. This implies the business would contribute 30 pennies for every dollar a representative procures into his or her individual record.

- **Excess Deferrals**

Abundance deferrals are incorporated into a member's assessable pay for the year contributed, and taxed a second time when the deferrals are eventually dispersed from the arrangement

- **Excess Contributions**

In the event that your aggregate IRA commitments (both Traditional and Roth) are more noteworthy than the permitted sum for the year in your circumstance, and you have not pulled back the excess contributions, you should finish Form 5329 to figure a 6% punishment charge on the excess contributions.

3.12 ACTUAL DEFERRAL PERCENTAGE (ADP) TEST:

The genuine deferral rate (ADP) test decides if HCEs are contributing in excess of a permissible level of their compensation into the plan. Ordinarily these elective deferrals are made on a pre-tax premise, yet employee may make assigned Roth contribution which is elective deferrals made on an after-charge premise.

The mix of pre-impose and after-assess elective deferrals is liable to the IRC §402(g) dollar point of confinement of \$15,500 for 2007 (with an additional catch-up contribution of \$5,000 for those age 50 and more established whenever amid the service year.) Therefore, the ADP test may incorporate both pre-tax and after-tax elective deferrals.

- **Performing the ADP test:**

To begin with, every participant's actual deferral ratio (ADR) is calculated by dividing the individual's total elective deferrals for the plan year by the individual's compensation.

So as to pass ADP testing, the HCE group's average (the ADP of the HCEs) must not exceed the ADP of the NHCEs by more than a predefined amount. The Internal Revenue Code states that the HCEs' ADP must not exceed by;

If NHCEs Defer between	HCEs cannot Defer more than
0% to 2%	2 times
2% to 8%	2% more
8% or above	1.25 times

Table no: 01

In this way, HCE elective deferrals are set in extent to what NHCEs defer. To encourage consistence with ADP rules and minimize the potential for failed tests, the Internal Revenue Code provides that unless the plan document states otherwise, the current year's HCE deferrals are measured against the prior year's NHCE deferrals. In a calendar year plan the level at which HCEs may defer during 2009 has been determined by the NHCEs' ADP from 2008. This is called the prior year testing method. Alternately, the plan sponsor can choose to use a current year testing method as elected within the plan document. Under this methodology, the current year HCEs' ADP is measured against the current year NHCEs' ADP.

- **Actual Contribution Percentage (ACP) Test**

The actual contribution percentage (ACP) test actually determines the degree to which HCE after-tax employee contributions and employer matching contributions provided to the HCEs exceed similar contributions for the NHCEs. The ACP test applies to any plan or bit of a plan that acknowledges manager coordinating or after-charge representative commitments. Keep in mind, assigned Roth commitments are elective deferrals made on an after-charge premise however are tried in the ADP test. Assigned Roth commitments are not the same as after-charge employee contribution.

The ACP test is directed in a comparative plan as the ADP test utilizing actual contribution ratios (ACR) rather than actual deferral ratios. First, each participant's ACR is calculated by dividing the sum of the individual's after-tax employee and matching contributions by the individual's ACP testing compensation as defined by the plan document. Ratios are calculated to two decimal places (the nearest 1/100th of a percent) and are then averaged by HCE or NHCE status.

3.13 IF THE ADP/ACP TEST FAILS:

The ADP and ACP tests must be fulfilled if the plan is to stay qualified and qualified for favorable tax treatment. If either of the tests fails, corrective action must be taken. There are various propelled testing choices which may limit or kill falling flat edges; these are talked about finally in cutting edge ASPPA Courses. For reasons for this course, two of these correction choices are tended to: raising the NHCE averages to achieve passing results or distributing sufficient excess contributions and excess aggregate contributions to affected HCEs such an extent that the HCE midpoints are brought down to worthy levels.

- **Qualified Non-elective Contributions (QNECs)**

One method for guaranteeing the plan passes ADP and ACP tests is to raise the NHCE averages to the level necessary to support the HCE averages.

Like QMACs, QNECs must be 100 percent vested when made, be liable to indistinguishable withdrawal limitations from elective deferrals and agree to different store timing confinements. While right now there are different techniques for figuring out which NHCEs get a QNEC and in what sums, the least complex QNEC allotment gives a similar level of compensation to each NHCE paying little respect to whether that NHCE deferred into the plan. In the case utilized here, the plan support would contribute 0.26% of pay to each NHCE, in this manner raising the NHCEs' ADP by 0.26%. Under a similar rationale and system, a QNEC might be utilized to remedy a coming up short ACP test.

- **Corrective Distributions**

Another way to raise the NHCE averages by QNECs contribution would lower the HCE average through corrective distributions.

In the previous example, the NHCEs' ADP of 2.38% set the HCEs' ADP maximum at 4.38%, or 0.26% lower than the 4.64% the HCEs actually averaged.

There are two steps to lower HCE average .Number one is the dollar amount.

First, the dollar amount of the correction is calculated by bringing down the individual ADRs thusly starting with the HCE who deferred the most noteworthy level of pay until the point when the HCEs' ADP achieves the required level in this first step, no HCE actually receives a distribution. Number two, the dollar amount of the correction is apportioned beginning with the HCE who deferred the highest dollar amount into the plan. Thus, the HCEs who receive corrective distributions are those who deferred the highest dollar amounts into the plan, and these may not necessarily be the same HCEs who deferred the highest percentage of compensation.

3.14 ALLOCATION:

An annual project completed by a third party for a retirement client is called 'Allocation'. By the help of every principle above Data-Path and July Services do allocation. This project consists of a set of reports containing the following:

- **Census Reports:** This a full report of or details of client which show their status for eligibility in the plan, plan entry dates, years of service for vesting, salary, and other important information.
- **Contribution Report:** Details of the amount contribution of each of the eligible plan participants.
- **Summary of Accounts:** This report demonstrates an outline of the exchanges of every one of the participants retirement accounts for the year. This summary includes

contributions, distributions, transfers among investments, and investment gains and losses.

- **Trust Accounting:** This report demonstrates a plan level outline of the exchanges for the plan all in all.
- **Compliance Tests:** The report contains a few vital tests that record the plan's consistence with specific IRS Regulations. Plans must pass these tests to retain their tax-favored status.
- **Allocation Letter:** This letter is sent to the client contains the consequence of the considerable number of reports. Here the contribution guidelines are made to train the client about what actual amount the participant are getting.
- **Daily Recordkeeping Memo:** In this memo the guideline is made for the record keeper to exchange the record balances from which participant's account to whom and whose over funded balances need to forfeit.

These reports are referred to as "Allocation Reports" because all the financial transactions like contributions, investment earnings, distributions, etc. in the plan are "allocated" to the individual participant accounts. To do this allocation each and every employee of Data-path and July Services must have the knowledge and guidelines about the RPF1 & RPF2 and other coursework

CHAPTER - 4

BANGLADESH RETIREMENT PLAN

SECTOR

4.0 BACKGROUND:

Pension which is benefits program for the retired persons which is only is permitted to a governmental employee on his/her retirement from public service based on length of qualifying service rendered and measure of remittances last withdrawn. The administration workers were qualified for pension in Bangladesh. Yet, at exhibit on account of numerous self-governing associations to be specific colleges, nationalized endeavors, banks, and so forth, pension system has introduced. The government employee gets their pension from the legislature and authorities of self-ruling bodies get their pension from their designating specialist.

4.1 PENSION SYSTEM:

In Bangladesh the modified pension rules imposed on 1972 after the liberation. Based on government rules and regulation pension was provided on a fixed payment on average of last 12 months' salaries instead of average payment of last 36 months which previous rules of pension payment . In 1974, pension was paid on the basis of a certain percentages of last payment withdrawn instead of 12 months average pay. The highest amount for pension percentage was 60% of compensation.

In 1977, there have been introduced such as family pension and gratuity and with new pension types a new pension rules were announced and according to these rules the maximum pension amount was fixed at eighty percentages of the basic pay drawn. In last all 1994; the government simplified the rules and regulations relating to sanctioning of the pensions of the government officials.

4.2 TYPES OF PENSION:

There is some type's pension system allowed for the government officials of the public service according to the rules and regulations. These are discussed below:

4.2.1 Compensation Pension (CP)

This pension is given to the employees who have lost employments in light of cancelation of their posts in downsizing some offices or associations by govt. to keep these in financial size.

A government employee can claim CP for his/her past service. S/he is either named in new post or transferred to a new post or establishment of new employee. The technique in giving this benefit includes getting off a list of the authorities losing their employments at any rate consumption of the administration. If an employee assigned in post and one of the post get cancel or authority want to him retire then the pension decision has to be sent to the Government

4.2.2 Invalid Pension

If an employee becomes invalid permanently, physically and rationally, all things considered the administration gives him/her invalid pension. As per Bangladesh pension regulations if a worker gets invalid pension before achieving 57 years old then head of the office will process the endorse for the pension based on the medicinal testament with regards to the invalidation servant.

4.2.3 Superannuation Pension:

Superannuation pension happen when an open hireling resigns at a specific age settled by the administration. In this setting age has been settled in the Public Service Act 1974. Accordingly Employee resigns from work after finishing of 57 years old. Nowadays the administration has expanded the retirement age for judges and state funded college instructors to 65 year. The real issue on account of this benefit is that the correct birth date isn't generally known in which case date of birth is expected and reasonability of age is lost.

4.2.4 Retiring Pension:

There is law that any employee cab retire after work 25 years for the organization .But in this case the gazette officers will referred to the president of the nation for decision

4.2.5 Optional Pension:

A Govt. employee has unfit right to pick to resign from benefit whenever after s/he has finished 25 years of administration upon the main condition that s/he should need to give a notice in paper to the head of the administration before 30 days of the date of his/her planned retirement. For this situation the administration will undoubtedly acknowledge the choice and has no

legitimate extension to deny. However, such choice once practiced might be last and should not be allowed to be changed or pulled back.

4.2.6 Family Pension:

When Pension is permitted to the group of retired people on his/her death is called family pension. On account of family pension, a public employee while at the same time staying in benefit whenever a short time later may select at least one individuals from his/her family as successor for the entire or part of his/her family pension . But in the absence of nomination and if the spouse of the expired =person or any individual from the family isn't accessible, all things considered his/her last controlling specialist might choose the successor for giving pension and gratuity.

4.3 PENSION IN PRIVATE SECTOR:

There are some persons who are not getting any benefit after age such as agriculture and industries sectors people and migrant laborers.in a study says there 20 million people of total population are working in these sectors which means of the employed person in country and contributing almost 40% of the GDP. But there is no pension system for the agriculture sector.

4.4 RETIREMENT BENEFITS:

Retirement is the withdrawal from one's occupation or from dynamic works. As indicated by one creator, 'retirement is a period when individuals move from specific parts and look for different parts'. The retirement benefits are given to the resigned employees of the legislature and parasitical associations. A resigned govt. worker is qualified for various advantages at retirement.

4.4.1 Leave Preparatory to Retirement (LPR)

This is acceptable for a resigned Govt. employee. Time of this kind of leave may reach out to past the date of retirement however not after the fulfillment of the 58 year of age and if s/he continues on these leave before the date of his/her retirement, his/her retirement might be compelling on the expiry of the leave. Subsequently enjoying the LPR, if the retiree have earned

leave to his/her credit s/he will be qualified for a year's compensation for a year's of un-appreciated earned leave.

4.4.2 Gratuity:

The authority recently enables gratuity to the resigning individual up to 80% of the revenue of the retiree after his/her finishing 25 years of pensionable service. Recently resigned service holders are permitted a gratuity in lieu of half of his gross benefits which s/he surrenders necessarily at the rate of Tk 200 for one taka. S/he is additionally permitted to surrender the staying half of his/her gross benefits at the rate of Tk. 100 for one taka..

4.4.3 Government Accommodation:

In case of death, retirement including necessary retirement, the resigned individual or his family is qualified for stay in the apportioned convenience. If the retired worker expired while in service, his/her family should be allowed to remain in the settlement for a long time subject to specific conditions from the date of the passing of the allottee.

4.4.4 Benevolent Fund:

If a retired employee dies or passes on between five years from the date of superannuation, s/he or in case of death, his/her family, might be qualified for get an benevolent fund give from the kind reserve as indicated by the scale determined in the calendar, for a time of ten years.

4.4.5 Group Insurance:

Group Insurance support has been constituted by the Government. All service holders aside from the class III and class IV workers have to store premium to the Fund at the endorsed percentages. This policy is managed by a Trustee Board. Every government employee may nominate someone for receiving money from the fund. And if any employee expired while in service his/her family will get one time financial help from the Fund and that amount shall not exceed Tk. 100,000.

4.4.6 Non-qualifying service:

There are some non-qualified services holders who are not qualified for the pension:

- Autonomous bodies, trust funds and nationalized organizations or from commission and fees are not pensionable service
- After probation period of the service the employee is not appointed in any post.

- Extraordinary leave is not counted for pension.
- If a Government servant is temporarily suspended .Only the service period will be counted
- Invalid medical certification showed employee.
- Any service holders who get removed from the service for doing illegal work is not eligible for the pension

4.5 OLD AGE ALLOWANCE PROGRAM:

There are lots of number of aged people are engaged in agriculture, industry, services and overseas employment who lives outside of the country are not covered by the pension system framework which is basically intended to serve a little area of individuals utilized in government and semi-government associations. This little division of government workers get the opportunity to get some type of security at maturity.

The vast majority of old age people live under distressful condition, except those who are supported by own families. To somewhat mitigate the circumstance, starting at 1998, Old Age Allowance Programmed was announced and this time they give a look into the elder personality

Under the program the elderly persons incapable of physical work and the penniless ladies of the nation are getting remittance from the legislature on month to month premise. In the years 1997-98 about 403,110 elderly people received Taka 125 million at the rate of Tk. 100 per month. During 2002-03,4,99,662 old aged persons were given Tk. 750 million as old age allowance at the rate of Tk. 125 per month. During 2003-2004 1 million persons received 1800 million Taka at the rate of 150 per month. In 2004-05, 2603.7 million taka was provided to 1,315,000 old aged persons. The allowance is given to 10 old persons (5 male and 5 female) of each ward of an union all over the country.

It is to be said here that old age has turned into a social issue and because of contemporary day medicinal science and environmental change; the quantity of elderly people is expanding step by step. Like the rich nations, the Bangladesh government has turned out to be worried about the security for the elder people. The Old Age Allowance is reinforcing the psychological power of

the matured people, increment their status in the family and bring back their suspicion that all is well and good in the general public.

The candidates/recipients are selected based on certain characteristics which are (a) age (b) average yearly income (c) health status, (d) socio-economic condition (e) expenditure in different heads and (f) land ownership. The following categories of persons are excluded from the benefit of old age allowance.

1. Public servant receiving pension
2. Destitute women holding Vulnerable Group Development Scheme (VGD) card
3. Otherwise recipients of regular public grants
4. Recipients of regular financial grants from private organizations/social welfare establishments.
5. Inhabitants of city corporation area
6. Day laborers, maid servants and destitute

4.6 NON-GOVERNMENT INITIATIVES

In spite of having 1500 NGOs in the nation, it is exceptionally hard to state what number of are working for the reason and enthusiasm of the elderly. Some prominent ones are distinguished underneath:

- **Bangladesh Association for the Aged**

Bangladesh Association for the Aged and Institute of Geriatric Medicine (BAAIGM), is the prime non-government association at national level working for the welfare of the more the older persons in Bangladesh. It has 48 branches all over Bangladesh. It has established on 1960. The Association provides services to the elderly in different forms like health care services such as recreational and socio-economic activities, Fifty bed geriatric hospitals with out-door programs and pathological services, 50 capacity dormitories for the elderly, recreation and library programs, vocational training and management of revolving funds and research and publication. elders and children rehabilitation center.

- **Elders and Children Rehabilitation Centre**

A rehabilitation community for the elderly was by a person in set up in 1987, at Gazipur. It is more or less a full-fledged old home where destitute older people (60+) from any religious faith can live. This is probably the first of its kind. At present 50 elders (25 male and 25 female) of age 60+ are residing in this center. They are given free accommodation, food, and clothing and Medicare facilities. The elders are involved in gardening, farming and other recreational activities.

- **Resource Integration Center (RIC)**

RIC give group based residence to elderly individuals, credit and restorative administrations. Some new programs include housing grants, elders club, day care center, monthly pension and funeral support. Credit programs help older persons to become financially solvent and independent and to play a more prominent role in the community. Credit strengthens the role of women particularly they have a greater need for economic sustenance. They also provide preventative and curative services with the support of Help Age International (HAI). Physicians make follow-up visits at patients' homes which indicate their outreach system with a strong referral system.

- **Service Center for Elderly People (SCEP)**

SCEP, a non-government organization in Rajshahi started working for the elderly in 1994 with a slogan "A Care for the Generation". It provides health service and recreational facilities to the older persons of age 60 and more for their social and emotional peace. Present activities of the SCEP for the registered elderly include listening to the radio, watching television, reading newspapers, magazines, playing indoor games. Every Friday health investigation of the registered elderly is made.

The Summary Table

USA	BANGLADESH
The retirement benefits system long time age but The proper law act was established on 1974	The first rules assigned on 1972 .still following same rules and regulations.
There two types of retirement plans in USA <ul style="list-style-type: none"> ➤ Welfare Benefit Plans ➤ Pension Benefit Plans 	There are various types of pension such as <ol style="list-style-type: none"> 1. Compensation pension 2. Invalid person 3. Superannuation pension 4. Retiring pension 5. Optional pension
Mostly used plan is Defined contribution.	Plan is not properly defined
There are some types DC <ul style="list-style-type: none"> ❖ Profit Sharing and 401(k) Plans; ❖ Safe Harbor 401(k) Plan ❖ SIMPLE Plans; ❖ Money Purchase; ❖ Stock Bonus and ❖ Other types of tax-advantaged arrangements. 	Some benefits is given by the government <ol style="list-style-type: none"> 1. Leave Preparatory to Retirement (LPR) 2. Gratuity: 3. Government Accommodation: 4. Benevolent Fund: 5. Group Insurance:
There are two eligibility testing <ol style="list-style-type: none"> 1. High compensation 2. Non High compensation 	No rules against high and low compensate employee
As their fund get invested into the money market ,so it's help to national economic growth	These fund stay ideal until the retirement ,so no contribution in economic growth
Proper management governmental rules both private and public association.	Only public organization follow the rules, private organization do pension feature s as their will.
As their money get invested, after retirement they sufficient amount to live.	They only have the retirement money portion saved from their salary

They are recordkeeping organization to maintain the accounts	No Recordkeeping organization here
Various option available for the employee whatever they choose as their benefits	Only one rules and benefits plan available for every employee

Table No 02

CHAPTER -5

FINDINGS

After structuring all the information from US and Bangladesh, I have got some differences between those retirement plans. Some of them are important that is mentioned below:

1 Government Rules Regarding Retirement Plan:

There are a number of options for retirement plans in USA. Next to the administration associations, every last non-government associations embrace no less than one of those plans. Even The sole proprietorship organizations receive the retirement plans. While Bangladesh government have a few standards however those guidelines are not execute appropriately in here.

2 Peoples desire to save:

People Individuals need to contribute some part of their wage to the retirement plan to protect future. This contribution progresses investment funds for them. Consistently they have contributed a measure of cash. At the season of their retirement or end they would get a good amount profit sharing benefit on their deferred amount

3 Rules for highly and Non-Highly Compensated employees:

The HCE cannot contribute more than the admissible level of their pay into the plan. Thusly US can limit the discrimination between HCEs and NHCEs. Be that as it may, in Bangladesh retirement plan at here are no issues for HEC and NHCE.

4 Employees right to know:

The members of any plan have the privilege to know where their contribution is going and from which source they are getting advantages. Not just that, as US has the strict principles on deferring and getting contributions so employee has the reasonable thought the amount they will get after retirement. In Bangladesh it's extremely hard to think about the retirement support for the typical employee.

5 Contribution to the national economy:

As all the employee invest his money to the various ventures which helps economy to growth .but in Bangladesh money left ideally later on which being unused for the nation economy.

6 Contribution to the homeland economy:

There are a decent number of foreigners in US the individuals who are serving different US associations. They are likewise secured under different retirement plans. In these cases they can contribute their contributed sum any share market of their country..

7 Increase Self-dependency:

At old age they don't rely upon their kids. They can't think living with all in a family. These reserve funds, benefits are simply the primary instrument to make them subordinate. In Bangladesh, a resigned individual are normally relies upon their kids.

8 Age limit:

As far as possible is 65.5years. They are 100% vested at that age. They have additionally early retirement approach which is taken after for a long time.

9 Government and Private sector:

Pension system in Bangladesh is mainly observed in government services. The pension issues are settled by the tenets of the Public Servants. In Bangladesh the retirement strategy isn't pertinent in private associations. Still there is no case of receiving any retirement arrangement by any sole proprietorship.

10 Insufficient amounts:

The Retirement makes the elder employee extremely uncertain and helpless. Government doesn't give any profit or profit sharing amount to the general population so the sum that one individual getting after their retirement is exceptionally deficient to live future life. Government has as of late presented Old Age Allowance Programmed which covers little portion of employee in the nation who are not secured by pension system.

11 Terminated employees:

If a public employee is expelled or rejected from service on account of misconduct, bankruptcy, his/her past service is seized and all things are not considered for pension. In USA terminated

employees get their due amount as their principles. Whatever they performed for their pension fund they will get the part of benefit up to end date.

12 Suspended Employees:

If a public servant is shortly suspended from his/her post against charge of offense and is reestablished in the said post and if any piece of his/her compensation is reallocated for the suspension time, at that point the time of transitory suspension should not be checked or considered for benefits. This suspension time might be long. In that time they are not ready to include more for benefits.

13 Not aware about their contributions:

The sum they are contributing or putting something aside for provident fund is kept in a bank. This sum is put into different sources. They don't have any assumption that where is going or contributed their cash. Just they get a settled enthusiasm on their principle amount.

14 No Scheme for Private sectors:

The majority of the general population of Bangladesh is working in private association. There is no uniform retirement benefit conspire for private part. They just get some gratuity at retirement.

15 No Specific Organization for retirement policy:

The pension policy of Bangladesh is maintained by the department itself. No other organization is assigned to do this policy whereas USA's every organization depends on Third Party Administrator.

16 Qualifying Conditions:

The plan provides food just to government workers and railroad representatives. An administration representative resigns at 57 or intentionally after the finish of 25 years of administration. It is 60 for the teachers and the freedom fighter of Bangladesh. The early retirement requires 25 years of work.

17 Same Rules for All Departments:

As government rules are connected to all so these standards are not varies company to company. The matching contribution or profit sharing is not applicable. Even they are obscure with these terms. Employer has zero chance to change the facilities or policy whatever is given to the Participant. In USA, manager can pick the benefit plan.

18 Transparencies:

US retirement plan are more straightforward than our nation. Manager and workers both think about their retirement condition each day. in Bangladesh it's extremely hard to know the real condition.

19 No recordkeeping company:

In US there are a large number of record-keeper are working for retirement plan. However, in Bangladesh there is no recordkeeping organization

20 Discrimination:

Bangladesh government does not have any limitation for discrimination between HCE and NHCE employee, the both employee getting same benefits after having difference in income.

21 Types of contributions:

US retirement plan creates different option for employee whatever they choose i.e. Match, Profit Sharing, and Non-elective Contributions etc. in there is only one way to contribution, they don't get any contribution the organization or employer.

22 Tax Return:

USA is very strict about their Tax, but retirement plan money is tax exempted so employee get enthusiastic about retirement benefit. But Bangladesh has different situation after having tax rules.

CHAPTER -6

RECOMMENDATION

6.1FOR DATA-PATH:

- **Right person should recruits:**

Recruitment system of Data-path needs to be more accurately as work of Data-path very sensitive so them very efficient and quality employee for their organization. They should have train accordingly to the USA retirement policy and be on right position and also should have literacy about the policy. Every department needs different types of employee such as allocation, recordkeeping, Flow5500 etc. To cope up with these situation employees should be sincere. For this reason Data-path should choose the right person who can adjust with all the situations. Quickly understanding and analyzing is the stairs to be a specialist in allocation.

- **Should carry on the faith:**

At first Data-path do some supporting obligations for July Services. They got the authorization for making report for the customer of JBS by building the trust. Here protection and security is the principle reality to make report. Some delicate data we came to know at the season of making report. These empower us that we are reliable. It ought to be our pleased that a nation like USA believes us and influence their pension to report by us. So we should proceed with this approach. It speaks to our national identity

6.2FOR BANGLADESH:

- **Amount should be sufficient:**

The sum that participant are getting ought to be adequate. If there are numerous alternatives to contribute and interest rate is high then the contributed sum and payback sum will be high. It will be useful for all. For instance, the more contributed cash is spared the more cash is to be invest. It is another approach to pay for the govt. even, if the measure of benefits is adequate then it will be useful in their after retirement age and they don't need to rely upon others.

- **Should have a responsible organization**

Every public association keeps benefits approach by them. It would be better if Bangladesh have particular association for retirement policy. To keep up the benefits strategy Bangladesh ought to have particular association which is in charge of pension arrangement. As USA has TPA for assignment Bangladesh ought to likewise have this sort of association.

- **Should introduce in private sector:**

The private segment may have their strategy for the provident fund. It is quite the same as govt. rules. Government can have an initiative for retirement policy and give to free to all organization include public and private sector .Which will release employees from pressure or depression after retirement, they will not need to rely on their children

- **Have to aware about the contribution:**

It is very important for every employee to know where the money is going or how money being invested to the market. Some organization maintenance this market means stock market in USA but Bangladesh has no organization for managing these money .They should build a strong market though this.

- **Should motivate for provident fund:**

Motivation is very important to create enthusiasm in employee to have provident fund .Government should come to market with some incentives and facilities for motivating employee to create provident fund. As family is basic support for most elderly person in Bangladesh .Strategy level activities and institutional courses of action to give government managed savings to the elderly outside the family framework are very constrained. There is a felt requirement for developing a retirement and benefits framework that will be reasonable, impartial to all sections of the general public, meet the sacred commitment of government managed savings for the elderly and fit in with essential human nobility. Advising about the preferences to hold a provident record and disservices of not keeping up provident store might be rouse them It will be useful for the future existence of the representatives and the administration too.

- **Should have rules for HCE/ NHCE:**

To reduce discrimination between HCEs and NHCEs, government of Bangladesh should have some rules. Actual deferral and contribution percentages and limit may make easier to lessen this kind of discrepancies'. If HCEs follow the limit or percentages then NHCEs will be benefited.

- **Should increase self- dependency:**

After retirement or in old age, they have to rely on kids. The result of this is disability which means this system make them disable. If they end up dynamic in work life and keep up provident fund appropriately then self-reliance will high in our nation. In the event that the approach producer enhance their pension system or take after some successful tenets of US benefits strategy then it will expand the self-reliance. So in the maturity they don't have to rely upon their kid or don't have to live in the old home.

- **Develop Record-keeping Services:**

We don't have any specific record-keeping organization for retirement plan. So our administration or government should take an activity to build up a recordkeeping organization.

- **Changes in Rules and Regulation:**

Guidelines with respect to retirement plan in our nation are extremely poor and predated. To adapt up to the new world we need to changes our systems with a specific goal to build up the fundamental financial condition in Bangladesh.

- **Should implement nondiscrimination testing:**

There should have a discrimination test between highly compensated employees and non-highly compensated employees .This method will reduce discrimination from organization of Bangladesh.

- **Reduce Bureaucracy and improve Transparency:**

Bureaucracy need to minimize from all sectors and should create a transparent system in the organization retirement policy.

CHAPTER -7

CONCLUSION

7.0 CONCLUSIONS:

USA is encouraging its citizen to save money as provident fund and the rules and regulations of IRS are helping them to invest in the stock market .This initiative making a huge economy growth overall. This becomes an industry now. People of USA in the old age now no need worried about future, they don't need to rely on their kids after retirement. But Bangladesh has very poor system of retirement benefits. They face many problems in regards to employee's retirement funds. Their money left ideal year to year.so this report may help to improve the retirement benefit system of Bangladesh. In the event that we can changes the present framework of Bangladesh economy.

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GLOSSARY

ACP	: Average Contribution Percentage
ADP	: Average Deferral Percentage
ASPPA	: American Society of Pension Professionals & Actuaries
DOL	: Department of Labor
ERISA	: Employee Retirement Income Security Act
IRS	: Internal Revenue Services
IRC	: Internal Revenue Code
RPF	: Retirement Provident Fund
SIMPLE	: Savings Incentive Match Plans for Employees