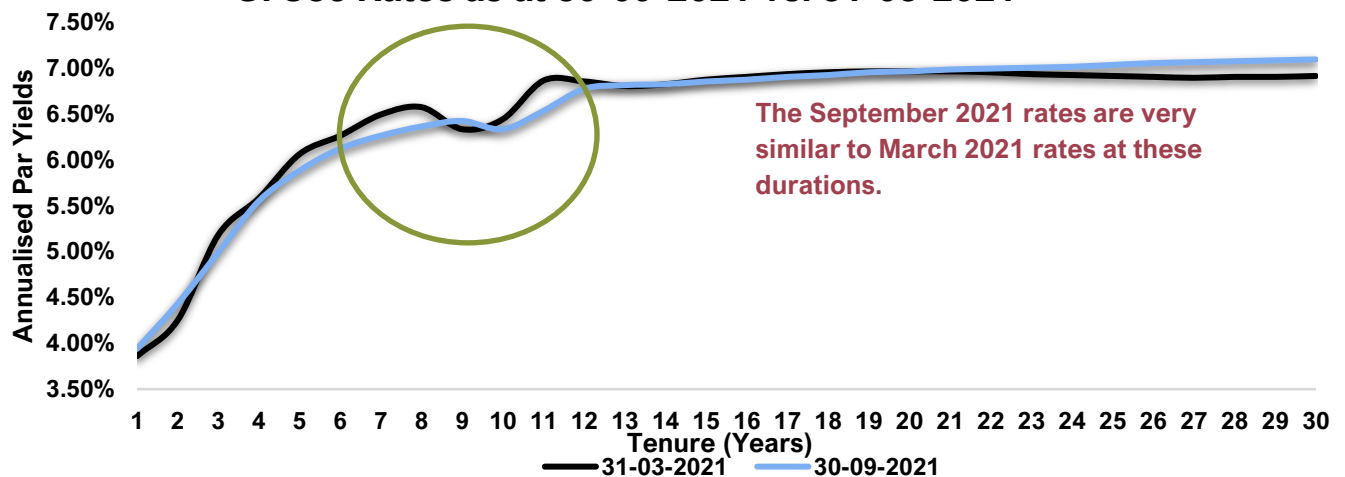


KAP's Interest Rate Updates for Employee Benefits as on 30 September 2021

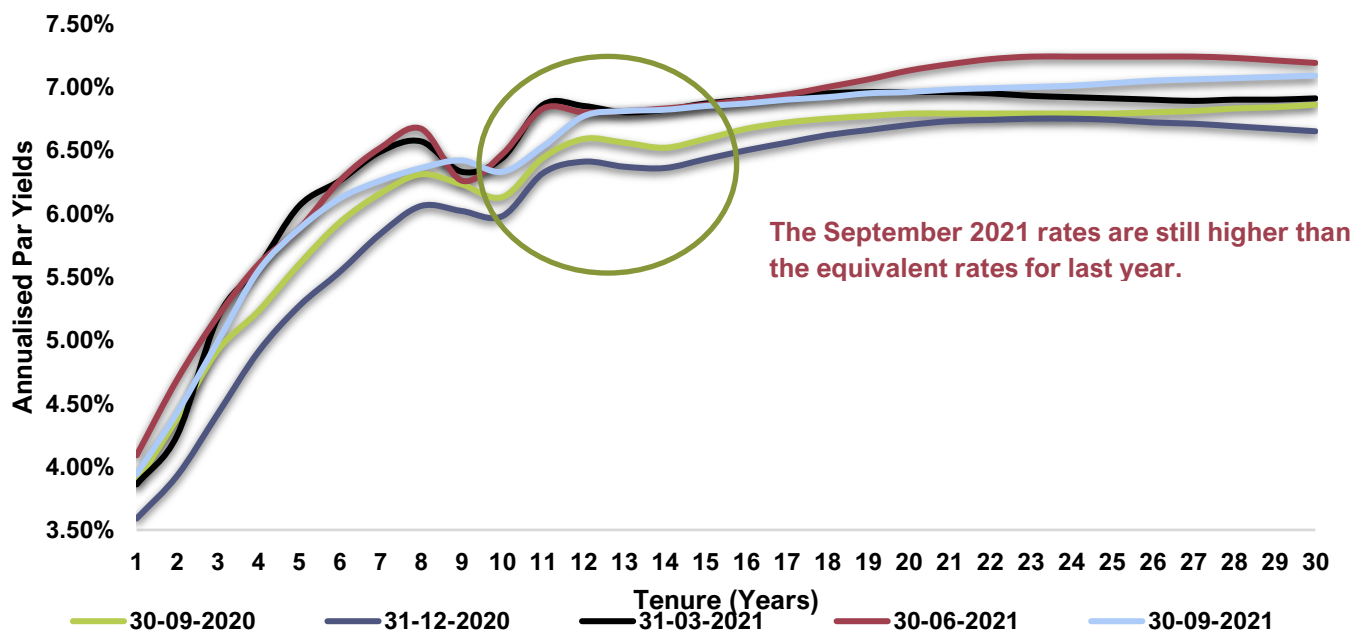
Introduction:

The past 18 months have seen volatile Annualised Par Yields on Government Securities (G-Sec)/Discount Rates due to the pandemic lockdown. However, rates seem to have been more stable in the last few months at shorter- and medium-term durations, despite anticipations for a third wave of the pandemic.

G. Sec Rates as at 30-09-2021 vs. 31-03-2021



Annualised Par Yields on G. Secs



Source: www.fimmda.org with prices/yields published by FBIL

G-Sec Rates movements between 30-09-2021 and 30-09-2020:

Tenure	Yield 30-09-2021	Yield 30-06-2021	Yield 31-03-2021	Yield 31-12-2020	Yield 30-09-2020
1	3.94%	4.09%	3.86%	3.59%	3.88%
2	4.43%	4.69%	4.25%	3.93%	4.38%
3	4.99%	5.19%	5.18%	4.42%	4.92%
4	5.55%	5.60%	5.58%	4.91%	5.23%
5	5.88%	5.88%	6.06%	5.27%	5.60%
6	6.12%	6.26%	6.26%	5.54%	5.93%
7	6.26%	6.52%	6.49%	5.84%	6.16%
8	6.36%	6.67%	6.57%	6.06%	6.31%
9	6.42%	6.26%	6.33%	6.02%	6.23%
10	6.33%	6.47%	6.44%	5.98%	6.13%
11	6.53%	6.83%	6.86%	6.32%	6.44%
12	6.77%	6.80%	6.85%	6.41%	6.59%
13	6.81%	6.81%	6.80%	6.37%	6.56%
14	6.82%	6.83%	6.82%	6.36%	6.52%
15	6.85%	6.86%	6.87%	6.43%	6.59%
16	6.87%	6.90%	6.90%	6.50%	6.67%
17	6.90%	6.94%	6.93%	6.56%	6.72%
18	6.92%	7.00%	6.95%	6.62%	6.75%
19	6.95%	7.06%	6.96%	6.66%	6.77%
20	6.96%	7.13%	6.96%	6.70%	6.79%
21	6.98%	7.18%	6.96%	6.73%	6.79%
22	6.99%	7.22%	6.95%	6.74%	6.79%
23	7.00%	7.24%	6.93%	6.75%	6.79%
24	7.01%	7.24%	6.92%	6.75%	6.79%
25	7.03%	7.24%	6.91%	6.74%	6.79%
26	7.05%	7.24%	6.90%	6.72%	6.80%
27	7.06%	7.24%	6.89%	6.71%	6.81%
28	7.07%	7.23%	6.90%	6.69%	6.83%
29	7.08%	7.21%	6.90%	6.67%	6.84%
30	7.09%	7.19%	6.91%	6.65%	6.86%

Comments & Insights:



The G-sec rates have increased compared to last year as the economy and businesses have gained some momentum and are steadily converging to normalcy.



Rates as on 30-09-2021 for tenures ranging from 3 to 8 years have decreased by an average of 0.16% when compared to 31-03-2021 Rates.



For very short and very long tenures, increasing 30th September 2021 G-sec rates when compared to 31st March 2021, would lead to an Actuarial Gain & for other tenures, the decreasing G-sec rates would lead to an Actuarial Loss due to change in Financial Assumptions, if all other Assumptions remain the same as 31st March 2021 valuation.



It is anticipated that the United States Federal Reserve is going to be increasing rates and thereby a similar affect could be seen on interest rates in India.

Some Important Links:

Indian Accounting Standard 19 - <https://indasaccess.icaai.org/download/2019/asb0719/272/272asb-cias-2019-20-vol2-24.pdf>

Accounting Standard 15 (R) - https://www.mca.gov.in/Ministry/notification/pdf/AS_15.pdf

Accumulating Compensated Absences Actuarial Valuation considerations for 2021 - http://www.ka-pandit.com/assets/newsletter/Accumulating_Compensated_Absences_Actuarial_Valuation_Considerations_for_2021.pdf

Interest Rate Updates: -

June 2021 - <https://www.ka-pandit.com/assets/newsletter/Interest-Rates-Updates-June-2021.pdf>

March 2021 - <https://www.ka-pandit.com/assets/newsletter/Interest-Rates-Updates-March-2021.pdf>

December 2020 - <https://www.ka-pandit.com/assets/newsletter/Interest-Rates-Updates-December-2020.pdf>

September 2020 - https://www.ka-pandit.com/assets/newsletter/Interest_Rates_Updates_September_2020.pdf

If you have any queries about this article or would like to discuss about any employee benefits related matter, such as actuarial valuations and related advice for Pension Schemes, Employee Stock Options, Gratuity and Leave schemes, please get in touch with us at:

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