

Report On  
**A Comparative Study of Pension System between USA and  
Bangladesh**

By

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An internship report submitted to the “BRAC BUSINESS SCHOOL” in partial  
fulfillment of the requirements for the degree of  
Master of Business Administration (MBA)

BRAC BUSINESS SCHOOL  
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## **Declaration**

It is hereby declared that

1. The internship report submitted is my own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

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### **Supervisor's Full Name & Signature:**

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Assistant Professor, Finance Department  
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## Letter of Transmittal

Riyashad Ahmed  
Assistant Professor  
Finance  
BRAC University  
66 Mohakhali, Dhaka-1212

Subject: An authorization letter for submission of the Internship Report.

Dear Sir,

I have the pleasure to submit the internship report on “**A Comparative Study of Pension System between USA and Bangladesh**” which I have been assigned as a part of my Internship Program at Data Path Limited as a partial requirement of the MBA program.

To prepare this report, I have tried to devote my best effort and conducted extensive analytical work to find out the study relevant materials. However, there may be some mistakes, but I would be grateful if you consider those from the reasonable point.

I shall be pleased to answer any query you may have regarding the report.

Sincerely yours,

---

Mahmudul Hasan  
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BRAC Business School  
BRAC University  
Date: Sep 27, 2020

## **Non-Disclosure Agreement**

This agreement is made and entered into by and between Data Path Ltd. and the undersigned student at BRAC University Mahmudul Hasan.

## **Acknowledgement**

Firstly, I want to thank Almighty Allah for successfully preparing this internship report in due time. Then, I would like to convey my gratitude to my supervising faculty Mr. Riyashad Ahmed for guiding me through the entire process of preparing of the report. It was a challenging task to gather all the relative information in such a short time without the help of some people.

I would like to thank Mr. Shahadat Hossain Chowdhury, Manager of the Business Process Outsourcing (BPO) Department and my supervisor/Team Leader Mr. Rashidul Islam for helping me with the information and industry knowledge that was an essential part of the report.

Finally, I want to show my appreciation to my colleagues at Data Path Ltd. for their co-operation all the time.

## **Executive Summary**

Data Path Ltd. is a business process outsourcing company which is the only company in Bangladesh who provides 401(k) retirement plan services to USA clients. In this report, I explored different aspects of Retirement plan process in USA and Bangladesh. I have described how effective and well-regulated US retirement plan industry is and how much behind, unstructured Bangladesh pension system are. As a legal binding, all employers in USA are required to offer retirement plan to their employees whereas in Bangladesh only public sector organizations have retirement benefits for their employees. In Bangladesh, Private sector pension system is very unstructured and not all private company has retirement plan for their employees, if any then benefits they provide are much lower compared to the public sector. Bangladesh government need to adopt a Universal Pension Scheme for all private and public service holders. To ensure the transparency of managing the retirement funds, every retirement plan should be audited by a certified auditor. Government may impose legal provision on every company to manage the retirement fund in a proper way. It may only be possible to provide retirement benefits to all private and public sector employees if government pursue a structured policy and impose the law in 'The Company Act.' Bangladesh can take the US pension system as a benchmark to start the compulsory pension scheme in private sectors.

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## List of Acronyms

ACP	Actual Contribution Percentage
ADP	Actual Deferral Percentage
BBS	Bangladesh Bureau of Statistics
DOL	Department of Labor
ERISA	Employee Retirement Income Security Act
HCE	Highly Compensated Employees
IRS	Internal Revenue Services
LPR	Leave Preparatory to Retirement
NHCE	Non-Highly Compensated Employees
QNEC	Qualified Non-elective Contributions
RPF	Retirement Plan Fundamentals
SIMPLE	Savings Incentive Match Plans for Employees
TPA	Third-Party Administrators
USA	United States of America

## **Glossary**

Highly Compensated Employee:	Any employee who has more than 5% ownership in the company and received compensation of \$120,000 in previous year.
Non-Highly Compensated Employee:	All participants except Highly Compensated Employee.
Key Employees:	Any employee who owns either 5% or 1% of the business and received compensation of \$150,000 in current or previous year.
Non-Key Employees:	Any employee who is not a key employee.
Employers:	Retirement plan sponsors usually owners.
Participants:	Employees who are allowed to contribute to the retirement plan.

# **Chapter 1**

## **Introduction**

### **1.1 Origin of the Report**

It is very much essential for business students to link theoretical knowledge with practical experience. Internship program gives students the opportunity to learn from the real business arena. It is a perfect opportunity to connect theoretical knowledge with hands-on experience. This report is a partial requirement of the MBA internship program.

During my internship period, I have learned important issues regarding USA retirement plan industry, the rules & regulations that guide it and also came to know the current situation of Bangladesh Retirement Industry which influenced me to make a comparative study of USA retirement plan and the retirement plan system of Bangladesh. The reports will describe how effective the USA retirement industry is and what is the procedure we should follow in Bangladesh retirement planning process to make it an effective one.

My academic supervisor Mr. Riyashad Ahmed has authorized me to prepare an internship report on a comparative study of pension system between USA and Bangladesh. He authorized me and gave me a guideline throughout the semester what is the efficient method of preparing an internship report to have a practical concept about an existing company's activity.

### **1.2 The Rationale of the Study**

In Bangladesh, the retired population has become an important social concern because, like many other developing countries, there is no social security system. Given the size of the population, scarcity of resources, existing poverty, insufficient health facilities and absence of social security, the retired sector is going to be a major problem in Bangladesh.

Whereas in the USA retired employees are taken care of their organizations employer for whom they work in their lifespan but in Bangladesh its very uncommon. Only government and some private organizations are providing the facility of the retirement benefits for the workforce.

In this paper, I will explore different aspects of Retirement plan process in USA and Bangladesh. By making a comparative study, I will try to figure out how effective and well-

regulated the USA Retirement Plan Industry is and how much behind, unstructured we are in Bangladesh in this Retirement Plan sector.

### **1.3 Objectives of the Study**

The objectives of the reports are:

- To know about the US retirement plan industry and Bangladesh retirement plan industry.
- To learn about the administration and transparency of the US retirement plan.
- To acknowledge how transparent and effective US retirement plans are in comparison to Bangladesh.
- To recommend how Bangladesh can adopt a well-regulated US Retirement Plan.

### **1.4 Methodology**

Data collected mostly from secondary sources however I have also collected the data from primary sources.

#### **Primary Sources:**

- Observations of the assigned department.
- Face to face conversation with the respective managers of the department.

#### **Secondary Sources:**

- Different publications from IRS, RPF, ERISA
- Official website of Ministry of Finance, Data Path and July Business Services
- Research paper and Articles
- Gazettes on General Provident Fund of Bangladesh

## **1.5 Limitations of the Study**

To prepare this report, several constraints are faced. Such as-

- Lack of publications regarding the retirement plan industry in Bangladesh.
- Limitation of the information as it is very difficult to collect primary sources information in this pandemic.
- The allocated time is not enough to know in depth about the retirement plan industry.

## **Chapter 2**

### **Company Overview**

#### **2.1 About Data Path**

Data Path Ltd. is a Business Process Outsourcing (BPO) company which is owned by July Business Services, a leading Third-Party Administrators (TPA) in USA. Data Path Ltd. prepares 401k Retirement Plans for USA clients. Data Path provides quality services to help parent organization (July Business Services) to reduce costs and Data Path outsourcing department successfully handle independent clients other than July Business Services to earn extra revenue for the organization.

In today's cost-conscious, results-driven business world, more companies are staying agile by turning to outsourcing as a tool to save time and costs, while assuring revenue growth. That is why Data-Path (a business process outsourcing company) is firmly anchored in its commitment to delivering quality services to help parent organization July Business Services of USA to reduce costs while achieving a more strategic business objective.

#### **2.2 Vision**

‘To build a better retirement security for our clients and be an industry leader in BPO sector.’

#### **2.3 Mission**

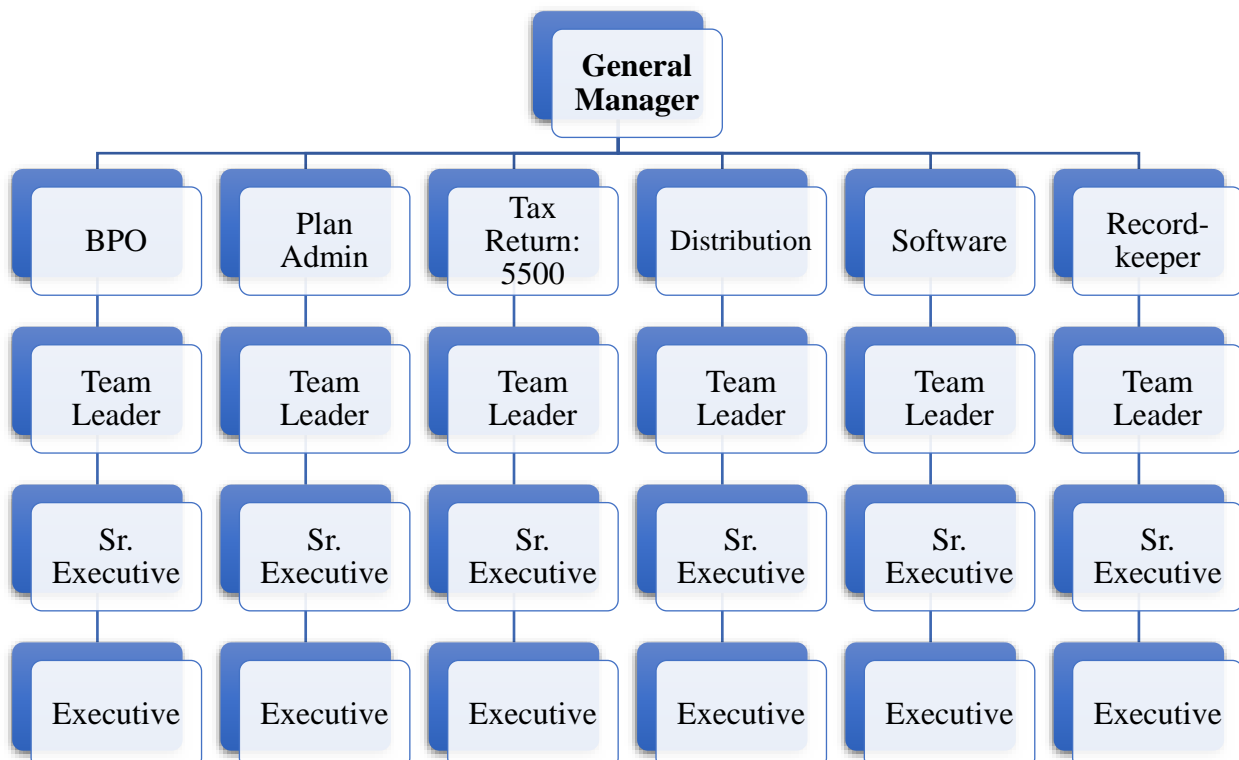
‘To provide plan sponsors a cost-effective retirement plan solution and state of the art plan design which will serve them in meeting their business needs and delivering responsive consulting to comply with all the legal provision.’

## 2.4 Services Offered

Data Path Ltd. is providing the following services to its US business clients including July Business Services.

- Plan Design
- Plan Setup
- Plan Administration
- Distributions
- Compliance Testing
- Record-keeping
- Tax Compliance
- Software Development

## 2.5 Organizational Structure



## Chapter 3

### Analysis

#### 3.1 USA Retirement Plan Industry

US companies are obliged to offer a compulsory retirement plan to their employees. In September 1974, US government made The Employee Retirement Income Security Act (ERISA) effective to all public and private organization in USA. They develop a framework which works in the benefit of the employee. In this ever-changing world, they continuously reform the provision to help both the employer and employee. Due to COVID-19, ERISA imposes “The Secure Act 2020” to help retirement plan employers to combat the economic downturn they are facing in this pandemic. (US Department of Labor, 1974).

In general, there are two types of retirement plans a company can offer to their employees:

1. Defined Contribution Plans
2. Defined Benefit Plans

#### **Defined Contribution Plans:**

A defined contribution plan is where both employer and employee contribute to employee’s pension fund. An individual account is maintained in the plan for each participant (an employee) to track their own retirement balance.

Unlike a defined benefit plan, the participant will bear the investment risk (gain/loss) that may occur in a defined contribution plan.

**Example:** John Steve works in a Fintech company as a Data Analyst and earns \$80,000 during a plan year. If his employer sets his deferral to 6% of his compensation, then he will defer \$4,800 ( $=80,000 \times 6\%$ ) in the plan year and his employer will match the same amount in John Steve’s retirement account.



### Defined Benefit Plans:

In a defined benefit plan, a participant or pensioner get a fixed amount of contribution upon reaching his/her retirement age. The normal retirement age in USA is 65 years although it varies due to company's plan provision.

The employer does not maintain a separate account for each participant rather he invests the retirement account funds in a pooled account at brokerage or investment company such as UBS, Morgan Stanley etc. As the pension amount is fixed for each participant so the employer assumes the investment risk (gain/loss).

A quick comparison between these two types of plan:

Table 1: Comparison of two types of plan

Defined Contribution Plans	Defined Benefit Plans
Individual participant account	Pooled plan account
Defined contribution amount (variable)	Defined benefit amount (fixed)
Participant bears the investment risk	Employer bears the investment risk
Preferred by younger employees	Preferred by older employees

### Types of Defined Contribution Plans:

- 401(k) Plans
- Profit Sharing Plans
- Safe Harbor Plans
- SIMPLE Plans
- Money Purchase Plans

### Traditional 401(k) Plans

In a 401(k) Plan, employees are allowed to contribute to their retirement plan and employers (owner) also contribute to employee's retirement plan in a various way. One of the ways is to match the employee's deferral contribution where employer contribute the same or a percentage of the employee's deferral contribution in a match account.

An employee can avail the following types of contribution in a traditional 401(k) plan:

- ✓ **Elective Deferrals:** Employee can contribute to his retirement plan from their payroll in each month. Usually employee can defer into a plan in a percentage of his compensation. For example, Jim Husting earns \$ 130,000 per year so he can contribute up to \$19,000 per year (IRS limit for 2019). However, a participant can defer \$6,000 in addition to \$19,000 in his 401k deferral account if his/her age is 50 year or more.
- ✓ **Roth Contributions:** A participant can contribute to his Roth account in a 401(k) plan. The benefits of having a Roth account is it is tax free. The condition is participant need to withdraw their fund from Roth account after age 59½ and they must be in the plan for at least 5 years.
- ✓ **Match Contributions:** When an employer contributes to his employee's retirement account in respect to their deferral contribution then it is known as Match Contributions.

For example, an employer may contribute 50% (or match \$0.50 for each \$1.00 deferred) up to the first 6% of compensation the employee defers to the 401(k) plan. In this example, the employer knows its maximum cost for matching contributions to the 401(k) plan is 3% of the compensation of eligible participants (50% of 6% of compensation) and can make the appropriate budget provisions for paying the employer match into the plan.

Matching Contribution: George earns \$25,000 and defers \$2,500 into his company retirement plan. Using the above formula, George will receive an employer matching contribution of \$750 (the lesser of  $\$2,500 \times 50\% = \$1250$ , or  $\$25,000 \times 6\% \times 50\% = \$750$ ).

- ✓ **Non-elective Contributions:** A 401(k) plan may have profit share or safe harbor contribution. All employer contribution in 401(k) plan is known as Non-elective contributions.

### **Profit Sharing Plans**

In a profit-sharing plan, employer shares the year end profit with the active participant (eligible participant employed till the last day of the plan year) of that company. The profit is allocated based on employees' class and compensation. There are several rules and regulations behind how a company can allocate their profit to their employees without discriminating the non-highly compensated employees.

Employees are allowed to make 401k deferral contributions in their own account in a profit-sharing plan. Employers can also contribute to employee's retirement account in the form of Match and other non-elective contributions. The employer has the discretionary to choose the profit-sharing amount each year, but the employer can make maximum of 25% of the total eligible compensation of all participant in a given year.

### **Safe Harbor 401(k) Plans**

In a safe harbor plan, employer contribute to their participant account which are fully vested to participant. This means participants are allowed to withdraw funds from safe harbor source when needed. However, this contribution is only available to those participants who defer in the current plan year. Participants who are eligible to deferral but did not make deferrals will not get the safe harbor contribution. This type of plan is lot easier to maintain for an employer as these plans are deemed to pass the non-discrimination testing by IRS.

### **SIMPLE 401(k) Plans**

This type of plan is ideal for small businesses as they are cost efficient and also beneficial for employers. Organizations who have 100 or fewer employees with at least \$5,000 in compensation in previous calendar year are eligible for SIMPLE 401k plans. This type of plans is deemed to pass the non-discrimination testing.

### **Money Purchase Plans**

Money purchase plans are somewhat similar to profit-sharing plans. In a profit-sharing plan employer have the flexibility to share contribution among employees based on their business performance but in a money purchase plan employer need to contribute a fixed percentage of annual contributions regardless of the business profitability.

### **Compliance Testing**

The US retirement policy is unique and most sophisticated due to their policy on how employer and employee can contribute to their retirement account without depriving the less compensated employees. Internal Revenue Service (IRS) are very strict on its rules and regulations and each year they audit big farms (Third-party administrators) who managed the companies retirement plan. Each company need to comply with IRS regulations and the plan must pass compliance testing for each plan year.

Every retirement plan is subject to go through certain test as per Internal Revenue Service, USA. Generally, a 401(k) plan need to go through the following types of testing:

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

### **General Nondiscrimination Testing:**

Internal Revenue Service (IRS) take care of the non-highly compensated employee of an organization by non-discrimination testing. Usually highly compensated employee earns much higher than a non-highly compensated employee. So, they have more money to contribute and also get high percentage of PS (employer) contributions. In this way they also pay low taxes. Every organizations need to comply with IRS regulations and every plan must pass this test in order to be a qualified 401(k) plan.

### **Top Heavy Testing:**

When a plans key employees' total retirement account balance exceeds 60% of the entire retirement plan end balance for that year then the plan is deemed to be a top heavy and employer are required to make additional contributions based on that company's plan provision to non-highly compensated employees (also non-key employees). (Human Interest, 2020).

### **ADP & ACP Testing:**

**Actual Deferral Percentage (ADP) Test:** ADP test ensures that HCE elective deferral percentage does not exceed Non-HCE deferral percentage by more than specified amount usually 2%.

Highly compensated employee earns more in compensation to non-highly employees, therefore they have the opportunity to put more money in their retirement account and reduce their taxable amount of income. Actual Deferral Percentage Test ensures that HCE's cannot defer more than a certain limit to the NHCE. This has implication in match contribution funded by employer of the organization. As Match contributions are made based on employee's deferral

contribution so if someone defer more than NHCE then they are entitled to get more match contribution than NHCE.

Table 2: HCE Deferral Limitation

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

If NHCE group defer 2% of their compensation then HCE group cannot defer more than 4% of their compensation.

**Actual Contribution Percentage (ACP) Test:** ACP test ensures that HCE after-tax and matching contribution percent does not exceed Non-HCE after-tax and matching contribution percent by more than a specific amount (generally 2%).

**If the ADP/ACP Test Fails:** Every Retirement Plan need to pass ADP/ACP test to be treated as qualified 401(k) plan. However, if a plan failed to pass ADP/ACP test then employer must contribute a Qualified Non-elective Contributions (QNECs) to NHCE in the plan. The range of the QNEC is usually 3% of the NHCE compensation. If employer don't want to contribute QNEC then HCE must withdraw their contribution from the plan so that ADP/ACP test pass for that plan year.

## 3.2 Pension System in Public Sector of Bangladesh

### Background

Bangladesh is a highly populated country. The retirement issue mostly relates to those who are in job situation and the retirement age in Bangladesh public service is 59 years. The pension system in Bangladesh is mainly observed in government services.

Historical trend and projection of elderly people as a proportion of total population indicate interesting movement as below:

Table 3: Increasing population of elderly people

Year	Total Population in Bangladesh	Percentage of elderly people above 60 in Bangladesh
1980	88,221,000	5.28
1985	99,373,000	4.99
1990	109,465,000	4.87
1995	118,616,000	4.89
2000	129,155,000	5.11
2005	140,566,000	5.48
2010	151,799,000	6.05
2015	161,540,000	6.94
2020	170,194,000	8.01

Source: United Nations

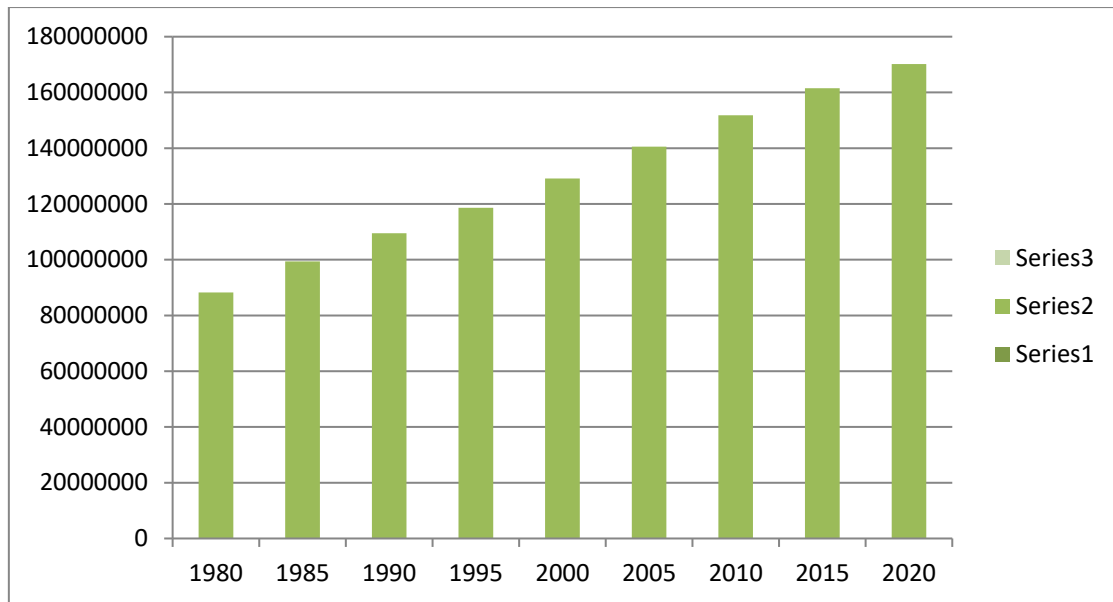


Figure 1: Increasing population of elderly people in Bangladesh

### Types of Pension in Public Sector:

- Superannuation Pension
- Retiring Pension
- Optional Pension
- Family Pension
- Invalid Pension
- Compensation Pension

### **Superannuation Pension:**

When a public servant retires compulsorily at a certain age fixed by the government (currently age 59) they are eligible for Superannuation pension.

When a public servant become 59 years old then he must retire from the service, and he will be entitled 90% of his last basic pay as gross pension. Gross pension's 50% will be the net pension, and 50% will be considered as Gratuity.

### **Example:**

Md. Rakib Ahmed is a Government employee, he earns 40,000 taka monthly as basic salary so upon his retirement his gross pension will be  $(40000 \times 90\%) = \text{Tk. } 36,000$

And his Net pension will be  $(36000 \times 50\%) = \text{Tk. } 18,000$

So, after retirement, he will get this amount of pension.

### **Retiring Pension**

A government service holder can retire upon completing 25 years of service as a public servant without assigning any specific reason. The government are obligated to give them their pension amount upon retirement.

### **Optional Pension**

A public servant has the right to opt from the service upon giving a notice in writing prior to 30 days and government employer has to accept it. An eligible pensioner will get minimum 3,000 taka monthly regardless of his monthly pension amount.

### **Family Pension**

Family pension applies when a public servant died while remaining at the service. The deceased person's family will get the allocated pension monthly and other compensation benefits. Usually deceased wife or the nominee will receive these pension amount to their account.

#### **Example:**

Suppose Md. Ali Khan is a government employee who suddenly died after serving 10 years in Janata Bank Limited. His family will get a family pension for 15 years.

Md. Ali Khan's last basic pay was Tk. 25,000

So, his family will get  $(25,000 \times 12) = 300,000$  / Yearly

His family will get equivalent to 24 months basic salary of Md. Ali Khan as the family pension.

### **Invalid Pension**

Invalid refers to employee who are disable either physically or mentally. When a public servant become disable while remaining at government service then they are allowed to get invalid pension by showing valid medical certificates. (Miyan, 2014).



## Compensation Pension

A public servant is entitled to compensation pension when he has lost jobs because of the abolition of their posts in downsizing some offices or some other valid reason. Employee will enjoy monetary benefits monthly even after termination in the form of pension.

## Retirement Benefits for Public Servant

When a public servant retires, they are entitled to a number of benefits apart from the benefits they will receive upon retirement. The benefits are discussed below:

- **Leave Preparatory to Retirement (LPR):** Government employees enjoys a full one year of salary as un-enjoyed earned leave before his final retirement.
- **Gratuity:** The government employees are entitled for gratuity based on their years of service.

Table 4: Gratuity rate for Government Employee

Serial No.	Pensionable time period	The amount of existing Gratuity	The amount of Revised Gratuity
1.	5 years or more but less than 10 years	---	265 Taka
2.	10 years or more but less than 15 years	260 Taka	260 Taka
3.	15 years or more but less than 20 years	245 Taka	245 Taka
4.	20 years or more	230 Taka	230 Taka

90% of the last pay scale = gross pension

Monthly pension = half of gross pension (50%)

The remaining half (50%) of Gratuity is Taka 1 is equal to Taka 230 after 20 years of service at the organizations.

For example, if last basic salary of an employee is 20,000 Taka

then 90% is  $18,000/2 = \text{Tk. } 9,000$  net pension

Now  $9,000 * 230 = 20,70,000$  Taka

The employee will get Taka 20,70,000 as a gratuity at the time of retirement.

- **Group Insurance:** All Government employees have the facility of insurance as a group except class III and IV who needs to deposit a small amount in order to get the facility of group insurance. The insurance also covers the one who died while remaining at service. For example, Md. Farid Ahmed who works in Ministry of Finance died at the age of 40 years. Now, his family gets 24 months basic salary of his last pay scale of Tk. 18,000\*24 = Tk. 4,32,000 as group insurance.

### 3.3 Pension System in Private Sector of Bangladesh

Private sector pension system is very unstructured and not all private company has retirement plan for their employees. Employees are deprived from one of their core benefits. They devote their life to a company but at the time of retirement they hardly get anything.

As I worked in a private company named Data Path Ltd. I would like to discuss their pension system for their employee.

**Provident Fund:** Data Path allows its employees to contribute only 6% of their monthly compensation as a deferral to their retirement account. Every employee upon their date of confirmation are eligible to make deferral. Although its kind of mandatory as employer automatically cut the 6% from employee's monthly salary and fund it in their retirement account. However, employee can opt out from it upon giving written application.

Data Path contributes to Provident Fund by matching the amount (100% of deferral) deducted from employee's compensation.

#### **Example:**

Hamid Khan earns Tk. 50,000 monthly and he defers 6% of his compensation that is Tk. 3,000 (=50,000\*6%).

So, Data Path will contribute Tk. 3,000 to Hamid's account monthly as match contribution. Please note, Hamid Khan will be 100% vested for match contribution after 2 years of employment at Data Path.

**Gratuity:** Data Path provides gratuity to their employee upon completing 5 years of service with the company.

<b>Criteria:</b>	<b>Entitlement:</b>
For the first 5 (five) years' service at Data Path Ltd.	1 (one) month's basic pay for each completed year of service on the last basic pay scale.

**Example:**

Hamid's last basic salary is Tk. 80,000/month so after completing his first 5 years of employment, he will get  $(80,000 \times 5) = \text{Tk. } 400,000$  as a Gratuity from Data Path Ltd.

**Group Insurance:** Many private companies are now providing insurance for their employees. The insurance covers both Life insurance and medical insurance but the amount is not immense. Data Path provides medical insurance for the employee's spouse too. Data Path life insurance is a basic life insurance plan for eligible employees.

## Chapter 4

### Findings

#### 4.1 USA Retirement Policy

USA retirement plan is one of the most structured and standard form of retirement plan in the world. They provide all types of facility to benefit their workforce after their retirement.

- All employers (company owners) in US have to offer a retirement plan for their employees. It is a legal requirement for all public and private company including sole proprietorship.
- Companies are not allowed to maintain their own retirement plan, so they have to hire a Third-party administrator who manage their retirement plan on behalf of the company.
- Employers have the option to choose from different types of retirement plan as guided by US Department of Labor.
- DOL and IRS works for the betterment of the non-highly compensated employee so that HCE and Key employees do not get unfair advantages due to their compensation and all. If HCE (usually owners) cross their contribution limit, then they must compensate the NHCE by giving additional contribution.
- US retirement plans are very transparent, and a participant can get their retirement accounts statement anytime upon request.
- Participants are allowed to take distribution from their retirement plan when needed. Participants are 100% vested in employee contribution source so they usually take distribution from 401(k) source. However, they are allowed to take distribution from employer source, subject to vested amount.
- Retirement plan funds are invested in stock market. Investment companies manage the fund on behalf of the company. JP Morgan Chase, Charles Schwab, The Vanguard Group, UBS, Wells Fargo are some investment companies who manage and invest retirement funds in the US stock market. In this way, retirement plan industry contributes to the national economy.
- Employees are allowed to take their retirement funds if they terminated or transfers to a new company. They can transfer their retirement fund from previous company and maintain it in their current company without any hassle.

## 4.2 Bangladesh Retirement Policy

Whereas it is mandatory to offer retirement plan for all public and private company in USA but in Bangladesh only public service holders get the retirement benefit from their employer. Although some private organizations offer provident fund for their employees but retirement sector in Bangladesh is still remain unstructured.

- Only public sector employees are entitled to get the retirement benefits by law. Private company employees are denying from their well-deserved retirement benefits. Only small number of private companies is offering retirement benefits.
- The life expectancy rate is increasing day by day but the retirement age in Bangladesh is remain the same at age 59. US retirement age (65) is much longer than Bangladesh.
- Although government employees are entitled to retirement benefits, but they are not allowed to contribute at their wish in their retirement account as USA companies are offering.
- Some private organization provides gratuity in a very small amount which doesn't serve the purpose for their employee.
- Government organizations pension are managed by their own organization's employee. But in USA, retirement plan is managed by a third-party organization independently.
- There is no transparency in managing the employee's retirement fund. Employees do not get to see their retirement account statement.
- There should be a trustee who will manage the retirement funds on behalf of the employees.
- Retirement funds are not invested in Stock market. They often keep the cash in banks or government securities. This way, these retirement funds cannot contribute at highest level to the national economy.
- If all organizations are bound to offer retirement plans then these funds would have been cut from employees' salary and would have been invested in the stock market and when they withdraw funds, government would have got tax on that amount.

## Chapter 5

### Recommendations and Conclusion

#### 5.1 Recommendations

One of the main objectives of the report is to recommend how Bangladesh can adopt a well-regulated US Retirement Plan. So, here are some recommendations:

- Bangladesh government need to adopt a Universal Pension Scheme for all private and public service holders.
- Bangladesh government has low Tax-GDP ratio. If they make it compulsory for all private and public organizations to offer contributory retirement benefits to their employees, then when a retiree withdraw their funds, government would have got tax on that amount.
- If all companies provide retirement benefits to their employees, then it would create more job opportunity in asset management company of Bangladesh which will reduce the current unemployment ratio. If needed private sector pension company (third-party organizations) can be created to manage the retirement plan.
- Strong administrative and managerial control need to impose so there is no chance of misuse of the retirement funds.
- Bangladesh government need to impose rules for HCE and NHCE as adopted by US government to ensure no employees have unfair advantage over another.
- Pension funds needs to be managed in a professional way and should be invested in the stock market and this will give an economic boost for the country.
- Qualified authority is needed to oversee the investment decisions of pension fund that will work for the betterment of the retired employee.
- Legal Provisions needs to impose on every company to manage the retirement plans in a proper way. Certified firms will audit the retirement plan to see whether it comply with all the required provision.
- All the activity in the retirement plan need to be transparent and statement of retirement accounts should be available upon request.

- Bangladesh government may consider increasing the retirement age limit as life expectancy rate is increasing.
- A trustee needs to be appointed to oversee and manage the retirement plan on behalf of the employees.

## **5.2 Conclusion**

In Bangladesh, a government job is still most desirable among people because of the lucrative pension system. People who are associated with the private job are hardly under any pension system. Every employee in the workforce deserve pension benefits at the time of retirement for their work throughout their lifespan. Bangladesh government should impose a legal requirement to all private organizations to offer a retirement plan to their employees. Bangladesh can take the US pension systems as a standard to start the compulsory pension scheme in private sectors.

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## Appendix

### Appendix A.

#### Pensionable period of service and percentage of pension for Government Employees:

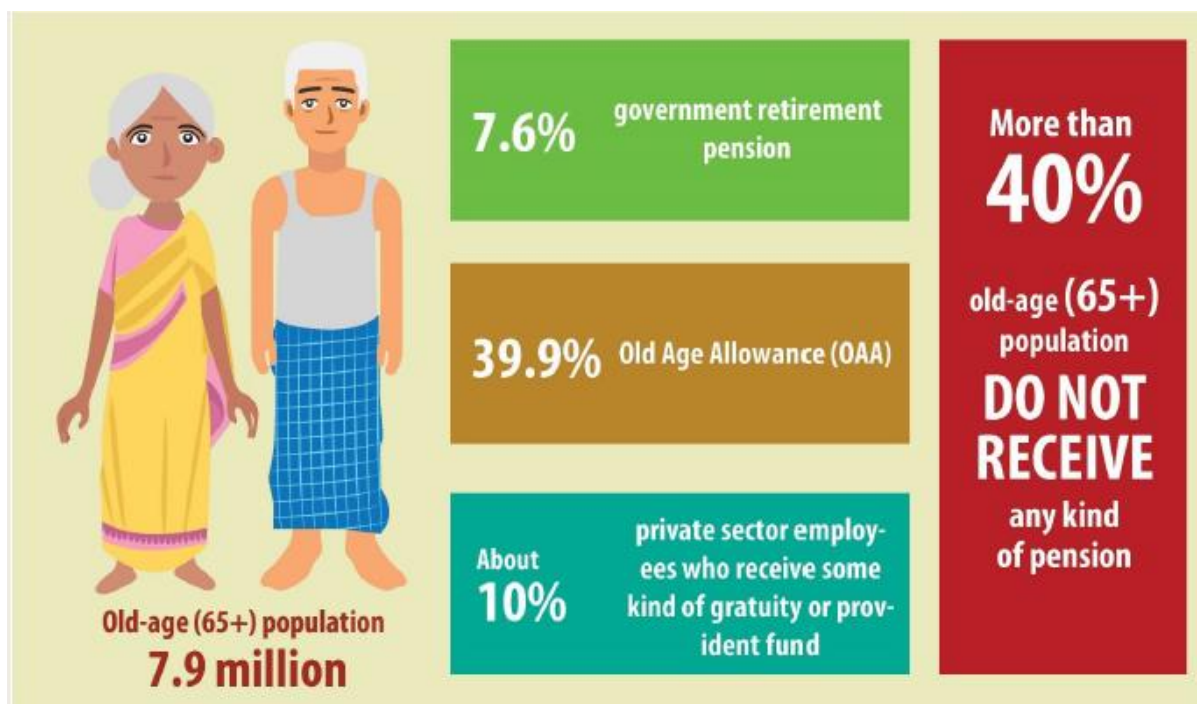
Table: Rescheduled pension percentage on last basic pay for Government Employees

Completed years of qualifying service	The amount of existing pension	Rescheduled pension percentage
5 years	-	21%
6 Years	-	24%
7 Years	-	27%
8 Years	-	30%
9 Years	-	33%
10 Years	32%	36%
11 Years	35%	39%
12 Years	38%	43%
13 Years	42%	47%
14 Years	45%	51%
15 Years	48%	54%
16 Years	51%	57%
17 Years	54%	63%
18 Years	58%	65%
19 Years	61%	69%
20 Years	64%	72%
21 Years	67%	75%
22 Years	70%	79%
23 Years	74%	83%
24 Years	77%	87%
25 Years and more	80%	90%

Source: Ministry of Finance

## Appendix B.

### Current Status of Pension in Bangladesh:



**Source:** Based on the data of Bangladesh Bureau of Statistics (BBS) and Ministry of Finance.