

**INTERNSHIP REPORT
ON**

**“RETIREMENT PROVIDENT FUND (RPF): A COMPARATIVE
ANALYSIS BETWEEN USA AND BANGLADESH.”**



Inspiring Excellence

Internship Report On

**“Retirement Provident Fund (RPF): A Comparative Analysis between
USA and Bangladesh.”**

Submitted to:

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Date of Submission: February 12, 2016

Supervisor's Declaration

This is to certify that the internship report on Data-path Ltd. titled “**Retirement Provident Fund (RPF): a Comparative Analysis between USA and Bangladesh.**” is prepared by Dewan Imran Uddin for the partial fulfillment of MBA program with concentration on Finance from BRAC **University**. This report is an original work completed under my supervision and is free from plagiarism.

Supervisor

Nusrat Alam Moury

Assistant Team Leader

Data-path Ltd.

Letter of Transmittal

January 24, 2017

Assistant Professor & Internship Supervisor
BRAC Business School
BRAC University

Subject: Submission of internship report on “Retirement Provident Fund (RPF): a Comparative Analysis between USA and Bangladesh”.

Dear Sir,

With utmost respect, I am like to aware you the fact that, I am really delighted to submit you the internship report on Datapath Limited, which you have asked me to prepare. After getting your instructions, I have given my utmost effort to make the study successful. After sending me to the organization, you gave me some vital advice and instructions. I am really grateful to you for that generous act & those instructions really helped me to make this study completed.

You know Sir that my study topic is “**Retirement Provident Fund (RPF): a Comparative Analysis between USA and Bangladesh**”. The immense knowledge & idea that I have gained with the study conduction will be really helpful for me for facing some challenges in the future time of my life & career.

I hope that my report will aid to make the concrete decision and live up to your expectations.

Sincerely Yours,

Dewan Imran Uddin

ID: 14164051

BRAC University

Acknowledgments

It's my immense pleasure to complete this study in due time by the grace of almighty Allah. I am grateful to those people who helped me a lot during the preparation of this report.

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Executive Summary

The US government is very aware and sincere about protecting the right of the retired people and securing them financially in retired life. The IRS (internal Revenue Service) and the DOL (Department of Labor) provides guidelines for the employer to manage the retirement benefit plan to give their employee retirement benefit which is known as “**Plan**” in the retirement industry. The retirement plan also helps the employer to have Tax savings on the profit of the organization if he maintains the plan according to IRS & DOL guidelines. Failure to comply with the regulations will result in disqualification of the plan and it will be subject to penalties.

To promote the physical, financial and mental well-being of employees and their families, employers routinely offer benefits such as health and life insurance, vacation period, disability income and retirement plans. Employees also have come to expect benefits in addition to their salaries, employee benefit plan often provided instead of additional cash payments as an integral part of a total compensation package. The annual report of a retirement plan is called Allocations Report and is prepared by Third Party Administrators (TPA). Data-path Limited works for a TPA named July Business Services.

The Bangladesh government is also concerned and sincere about protecting the right of the retired people. US and Bangladesh retirement policy differs in some important points. Bangladesh has policy for the government organization and very for private sector. And the government rules, people’s right, contribution to the economy, dependency, benefit amount etc. also differs. The employees are getting insufficient amount, no strict policy to reduce discrepancy between highly and non-highly compensated employees, no responsible organization for retirement policy etc. are the subject to modify. It may be possible to bring in a structured policy if govt. changes or reshape the policy. This report will help Bangladesh to improve their retirement provident fund as well.

1.0 Introduction

1.1 Background of the Report

It is very necessary to apply the knowledge practically that a student has gathered theoretically. Internship is the way to give a good application of the theoretical knowledge. So, internship program is prerequisite for acquiring MBA degree. Internship, in the modern business world, helps students to demonstrate skills and competence from their supervised experience and it also enables them to demonstrate prime of life and acceptable professional, personal and interpersonal behavior. It is an opportunity for the students to get familiar with the real life situation through this program. Data-path Limited has given me the opportunity to do my internship in this organization and I am working in Data-path Limited since 5th February, 2010. I have learned important issues regarding US retirement plan services, the rules & regulations that the organization follows to do plan and the differences between USA and Bangladesh.

1.2 Problem Statement

The awareness of US government on protecting the privileges of the retired people is very high and in retired life govt. makes them financially secured. To expand the tax benefit advantages and to draw the attention of employees many organizations implement retirement plan. The rules and regulations and the reporting procedure of American retirement plan are very tricky. As it is expensive keeping own retirement plan reporting they hire Third Party Administrators (TPA) to prepare year end reports.

In Bangladesh, the retirement benefits system is not so structured both in the public sector and also in the private sector. The government rules and regulations are not well planned to secure the employee benefit. The regulatory body is not taking the necessary steps to protect the employee rights and benefits. No step is taken to reduce the discrimination among the highly compensated employee and non-highly compensated employee.

1.3 Scope of the report

Scope means the area on which the study has to be done. This report covers the areas concerned with the process and management of doing retirement plan by Data-path. I highlight the Allocation department of retirement plan for my study. People who are working there, their experience, memorandum, gone plan reports everything helps me to make the study report. This report is also highlighted the present US regulations on retirement plans, amendment in the regulations will make the associated portions obsolete.

1.4 Methodology of the study

Methodology is to mean by the application of various method for this research. My broad objective is to report on “USA Retirement Provident Fund (RPF): A Study on Data-Path Limited”. And the specific objective of the report is “A Comparative Study on retirement policy between USA and Bangladesh” To

this aim I have collected information as needed. Here it can be briefly describe about the information that how these are collected.

Sources:

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

Primary sources

Collecting data directly from the practical field is called primary source of data. The method that will be used to collect the primary data is as follows:

Discussion Method

In the workplace we, all the members, faced several issues when we do allocation for the plans. The discussion helps us to solve those problems and it is one of the ways to know about retirement policy. I have observed all of the activities of all the departments, especially Allocation department where I have been assigned for work of Data-Path Ltd.

Other Primary sources

We may get correction after sending allocation in review through our trusted network and we also get instructions from USA consultants. These review notes is the best way to know what actually they want and the processes also.

Secondary sources:

Secondary data is very much essential to conduct an efficient study and to have a qualified result. The major sources of secondary data that used in the report are given below:

Data-Path and July Services databases

The saved data of Data-path and July Services databases helped me to gather information. I have also done analysis, tried to get similarities, difficulties to make retirement plan.

Retirement Provident Fund (RPF 1& 2)

Retirement Provident Fund part 1 & 2 content all the term related to US provident fund. It is the base of US retirement fund. We use these as information bank.

1.5 Limitations of the study

1. Due to the privacy rule some important information is not shown here. Like, the Social Security Number (SSN) of the participant, how much is their compensation, how much they defer, to provide employer contribution or profit sharing which formula the client or employer follows. It is strictly prohibited to bring any official documents or clients' data outside of office space.
2. Most of the materials are collected from the secondary sources and the validity of the data is questionable in some cases. Not all terms are the as same as we have learned. It varies plan to plan. Sometimes same rules define different meanings.
3. Due to the lack of publication relating to Retirement benefit plan the information which is collected is not representative. Retirement Provident Fund (RPF) has only 2 parts – 1 & 2. Other than RPF don't provide any information.
4. As the congress change the rules and regulations every year according to the economic and fiscal policies so it is difficult to compare the result with previous year. Such as employees' compensation limit, HCE limit, includible officer's compensation limit, defer limit varies year to year. So it is difficult to compare.

2.0 Organizational Overview (Data Path Ltd.)

2.1 Historical Background

Data-path Limited is an outsourcing company working for July Business Services in Bangladesh. It is a registered outsourcing company owned by Jim Hudson and John Humphrey. July Business Services is one of the renowned retirement plan industries in U.S.A. Data-path Limited was established in 2005 with a small office in Uttara. At the beginning it was providing supportive operations for July. In the beginning years it had less than 10 employees. Now 120 incumbents are working here with their brilliant appreciation.

July Business Services is a professional services firm committed to delivering focused retirement plan and other administrative services to business clients. We work closely with employers and financial partners to build customized services to meet their unique goals. Our consultants provide hands-on solutions for plan implementation and ongoing plan operation. We have many years of industry experience with clients ranging from small, closely-held businesses to large corporations competing in the global economy. It has begun its operations in 1995, with no clients and a tiny professional office area. The firm's marketing efforts resulted in important referral relationships, including investment advisors, mutual fund companies, banks, and brokerage firms. By the end of 1996, July had more than 250 retirement plan clients and 5 employees.

July Business Services partners with financial advisors and employers to provide retirement plan recordkeeping and administration with integrated cafeteria plans and payroll. Founded in 1994, July delivers exceptional service with uncompromising accuracy to approximately 3,000 clients in all 50 states.

2.2 Founding Partners:

Jim Hudson began his retirement plan specialization in the early 1980s while pursuing his career as a Certified Public Accountant. During this time, Jim became known as a specialist in this highly technical field. He was directly responsible for developing and managing a large retirement plan practice before founding July in 1994. John Humphrey also began his career as a Certified Public Accountant, providing tax consulting services with a large accounting firm before specializing in retirement plan administration. John co-founded July in 1994.

2.3 Services

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

Plan design: Retirement plans are made to meet the unique goals of each employer. Whether the objective is employee recruitment and retention or maximizing benefits for key employees, we have the expertise to design the best plan for you.

Plan setup: To efficiently setup retirement plan or to convert the existing plan from current provider. Data-path's dedicated setup team provides hands-on services to coordinate all aspects of plan setup. Our services include:

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

Plan administration: July's consultants have over 25 years of plan administration experience and are experts in this highly technical field. A dedicated account representative will serve clients' plan, supported by a team of experienced professionals.

Data-path's consultants have over 5 years of plan administration experience and are experts in this highly technical field. A dedicated account representative serves client's plan, supported by a team of experienced professionals.

Plan Operation Support: It provides everything client needs 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

Compliance Testing: Its account representative provides complete compliance testing services to maintain the integrity of client's plan. Its testing services include the following:

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

Tax Compliance: Data-path's consultants deliver signature-ready tax returns to fulfill all tax filing requirements. Its services include the following:

Form 5500

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

Plan Recordkeeping: Data-path and July provide automated recordkeeping services through their alliance partners and through July's daily valuation recordkeeping platform:

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

- **Participant services:** Through its alliance partnerships with financial providers, July makes available high quality tools for participants to plan for and achieve a secure financial future.
- **Payroll Services:** A single provider for retirement and payroll services reduces clients' workload and increases accuracy and efficiency. July service guarantees are some of the strongest in the industry, but our goal is to process your payroll error free every time.
- **Fringe Benefit:** July services provide the following benefit.

Medical reimbursement plans

Flexible spending accounts and Section 125 Fringe Benefit Plans

Health Reimbursement Arrangements (HRAs)

VEBA and other specialized funding designs

Premium-only plans

Other forms of reimbursement or claims processing program

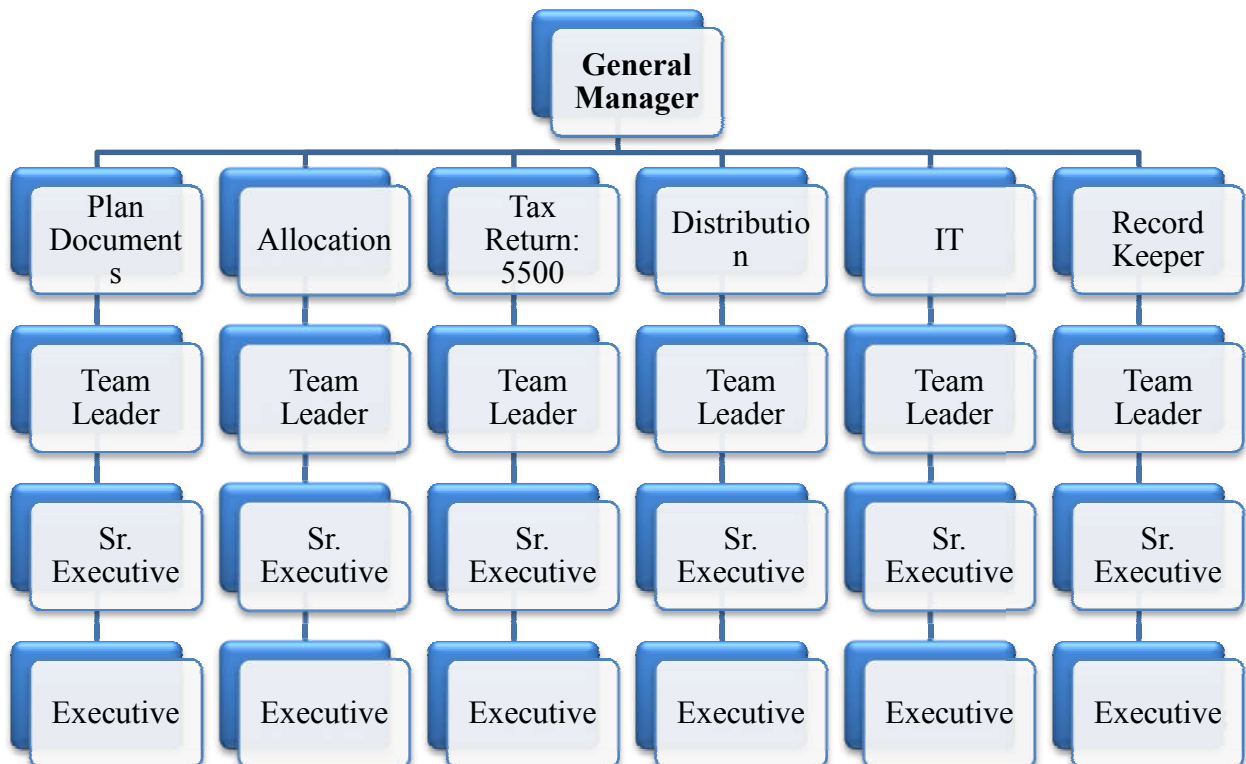
Enrollment Materials: July provides professional enrollment materials to guide participants in making enrollment and investment decisions. These materials generally include the following:

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

Investment Advice: Many of the retirement products also include participant access to on-line investment advice and guidance. The ability for participants to receive online investment advice increases their chances of achieving a secure financial future, and as a result, can help to reduce plan sponsor fiduciary liability. For more information on which products provide investment advice, please contact our sales consultants or see information on featured products above.

Data-path serves all the administrative work for July Business Services through July's software and submitted the softcopy of all of its work through its own trusted network.

2.4 Organizational Structure



3.0 Topic Analysis and Discussion

Every country maintains their retirement benefit policy by their rules and regulations. It varies country to country. Bangladesh also maintains their rules. In accordance with Data-Path I have highlighted USA retirement policy and find some differences with Bangladesh.

3.1 Title and Importance of the selected topic:

Title: “Retirement Provident Fund (RPF): A Comparative Analysis between USA and Bangladesh.”

In our country, there is a retirement plan system for the employees of government organization but for private organizations retirement plan system often doesn't exist and if it does then it is not a well organized one like Retirement provident Fund in USA. A retirement plan gives an employee the assurance to live a financially secure life after retirement. It gives them hope that in the time of a greater financial crisis they have some saving to survive. From that understanding, the study has been conducted to highlight the current retirement plan system Bangladesh and to recommend a structured retirement plan system for the well – being of the employees working in private organizations.

3.1 USA Retirement Policy:

There are many types of benefits provided by employers for their employees in addition to wages, and indeed benefits represent an increasingly larger proportion of the total employee-related cost of doing business. In some cases, the employer pays the full cost of these benefits, such as paid vacation days, and they are considered fully funded by the employer. Often, however, the employee and the employer share in the expense of providing and obtaining employee benefits.

Employee Benefit Plans:

To promote the physical, financial and mental well-being of employees and their families, employers routinely offer benefits such as health and life insurance, vacation time, disability income and retirement plans. Certain benefits are designed to protect employees from suffering serious financial hardship due to unforeseeable catastrophic events, while others serve to provide stability and productivity in the workforce by enhancing employee morale and enabling competitive recruitment practices. Because

employees have come to expect benefits in addition to their salaries, employee benefit plans often are provided instead of additional cash payments as an integral part of a total compensation Package.

Employee benefit plans fall into two broad categories:

1. Welfare benefit plans that provide a variety of benefits ranging from vacation pay to health and life insurance; and
2. Pension benefits plans that provide retirement income.

Welfare Benefit Plans

- Medical, surgical or hospital care;
- Benefits in case of sickness, accident, disability or death;
- Unemployment benefits;
- Vacation benefits;
- Apprenticeship or other training programs;
- Day care centers;
- Scholarship funds;
- Prepaid legal services; or
- Any benefit described in Section 302(c) of the Labor Management Relations Act of 1947 (Taft-Hartley Act). This includes holiday and
- Severance pay or similar benefits. It excludes retirement and survivor
- Pensions or insurance to provide such pensions.

Not surprisingly, the body of legislation covering benefit plans has expanded extensively beyond the original 1974 ERISA.

This course will focus on pension benefit plans, particularly those plans meeting the qualification requirements for special tax considerations under the Internal Revenue Code.

Such plans are commonly referred to as qualified plans.

Pension Benefit Plans

ERISA defines an employee pension benefit plan as any plan, fund or program established or maintained by an employer or employee organization that:

1. Provides retirement income to employees; or
2. Results in a deferral of taxable income until distribution.

A plan that provides any of the following types of benefits falls under the definition of an employee pension benefit plan:

- Retirement benefits for age and/or service;
- Disability retirement benefits;
- Retirement benefits provided through accumulating savings;
- Individual account plans such as profit sharing plans; or Deferral of income for periods extending to or beyond the end of employment.

There are two broad categories of employer-sponsored pension benefit plans:

1. Defined Benefit Plans
2. Defined contribution plans.

Defined Benefit Plans

In comparison to a defined contribution plan that generally dictates a certain contribution amount each year; a defined benefit plan promises to pay a specified benefit at a future retirement age. Rather than defining the contribution to be allocated into participant's individual account, 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 benefit is usually payable at a specified future time, such as attainment of age 65. Some plans also provide benefits upon the disability or death of the participant before retirement. Defined benefit plans usually express the benefit to be paid as an annuity, a series of generally equal payments made at specified intervals, for example monthly or annually.

Defined Contribution Plans

A **defined contribution plan** is sometimes known as an individual account plan because a separate account is maintained for each individual participant. These types of plans define the contribution amount to be deposited into the participant's account.

For example, a plan may provide that every eligible participant will receive an allocation, or share of the total plan contribution, equal to 5 percent of his or her compensation. Or, the plan may define a participant's contribution as a specific dollar amount, such as \$1,000

Types of Defined Contribution Plans

There are many types of defined contribution plans. These plans maintain a separate account for each individual participant. Each of these plans defines the contribution amount to be deposited into the

participant's account. The participant bears the investment risk because there is no promised benefit to be paid at retirement like in a defined benefit plan.

Different types of Defined Contribution Plans are;

- Profit Sharing and 401(k) Plans;
- SIMPLE Plans;
- Money Purchase;
- Stock Bonus and Employee Stock Ownership Plans; and
- Other types of tax-advantaged arrangements.

Profit Sharing Plans

Through a profit sharing plan, employees can be rewarded with a share in the employer's revenue, which was generated in part due to their efforts. The employer may exercise discretion over the amount contributed to the plan each year and need not base the contribution on actual profits. Accordingly, the plan does not have to state explicitly what amount will be contributed each year, but it must contain a specific formula for allocating any contribution made to participants.

Example; Profit Sharing Allocation: An employer contributes \$40,000 to its profit sharing plan for the current year. The allocation formula states that a participant will share in the contribution in proportion to the participant's compensation. If the sum of compensation for all plan participants eligible to share in the profit sharing contribution is \$500,000 and a participant's individual compensation is \$50,000, the participant will be allocated 10% ($\$50,000/\$500,000$) of the employer contribution, or \$4,000.

Thus, an employer often selects a profit sharing plan for its employees because it can determine each year how much to contribute to the plan based on its financial condition. The employer may decide not to make a contribution for a particular year should the business climate be less than fruitful with little or no profits, or when the income is needed for other business expenses.

Although the employer has no fixed annual contribution commitment under a profit sharing plan, profit sharing contributions must be substantial and recurring in order to prevent the plan from being considered terminated. Although the employer can choose the amount of the profit sharing contribution each year, the maximum amount the employer can deduct on its tax return is 25% of the total eligible compensation of all participants.

401(k) Plans

In order to encourage employees to actively save for their retirement and to bolster utilization of and appreciation for employer plans, today numerous employers are sponsoring the very popular salary deferral plan as described under Internal Revenue Code Section 401(k). Having the perhaps dubious distinction of being more commonly and widely known by its Internal Revenue Code Section number than its descriptive name, this type of profit sharing plan with a qualified cashor deferred salary arrangement (CODA)is referred to by the public and practitioner alike as a 401(k) plan.

SIMPLE Plans

Savings Incentive Match Plans for Employees (SIMPLEs) are designed to address the needs of small businesses and intended to simplify qualified plan administration for their sponsors, a SIMPLE must be the only plan sponsored by the employer, and only employers with 100 or fewer employees may utilize SIMPLEs.

All SIMPLE plans are exempt from nondiscrimination testing provided the employer makes the required contributions. As a caution created by their similar names, SIMPLE plans should not be confused with Simplified Employee Pensions (SEP).

Money Purchase Plans

From the participant's perspective, a money purchase planlooks very similar to a profit sharing plan in that both are individual account plans. The differences, however, are substantial. While an employer may decide each year what level of profit sharing contribution it wishes to make, if any, a money purchase plan obligates the employer to contribute a specific amount or percentage of the participants' compensation to the plan each year. The specific contribution formula is written into the plan document, and the contribution is required to be made under the minimum funding requirement of IRC 412.

Stock Plans

Stock Bonus Plans

A stock bonus planis a profit sharing plan that generally distributes shares of company stock as benefits to terminated or retired participants. As a profit sharing plan type, stock bonus plans are allowed to have discretionary contribution formulas, and employers have the option of contributing in the form of cash or company stock. When cash contributions are made to the plan, they are normally then used to purchase company stock under the plan. If the company stock is not a public stock that may be traded on the open

market, participants receiving distributions have the right to sell their shares back to the company for cash at specified times as determined by the company.

Employee Stock Ownership Plans (ESOPs)

An employee stock ownership plan (ESOP) may be either a stock bonus plan, with a discretionary contribution formula, or a combination stock bonus and money purchase plan, wherein the required minimum funding amount is intended to be contributed in the form of or used to purchase company stock. A portion of a plan, such as an employer stock investment within the 401(k) feature of a profit sharing plan, also may be designated as an ESOP. To qualify as an ESOP, a plan or portion of a plan must be designed to be invested primarily in the stock of the employer (primarily is generally interpreted to mean a more than 50% investment).

An essential difference between a traditional stock bonus plan and a stock bonus plan which has been established as an ESOP lies in the ESOP's ability to borrow money to purchase company stock. The purchased shares represent the collateral on the ESOP loan. Thereafter, the employer's cash contributions to the ESOP are used as loan repayments, and as these payments are made those shares released from their status as loan collateral are allocated to the individual accounts of the ESOP participants.

SAFE HARBOR 401(k) Plan

A safe harbor 401(k) is similar to traditional 401(k) plan, but the employer is required to make contributions for each employee. The employer contributions in this type of plans are immediately 100% vested. It eases administrative burdens on employers by elimination 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

3.2 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 well-advised to seek the counsel of its accountant, attorney and retirement plan professional for assistance in determining the type of qualified

plan most appropriate to best serve the interests of the company and its employees. In addition, the input of any human resource staff should be duly considered.

The valued input of accountants and attorneys being readily understood, the employer will gain retirement plan expertise by engaging a retirement plan professional whose initial role is to help the employer focus on the most beneficial plan design for its individual situation. Through explanations of the various types of plans via extensive data-gathering about the employer, a retirement plan professional guides a plan sponsor through the myriad factors influencing the selection of a qualified plan. 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
- Employees' retirement needs and their familiarity or comfort level with savings and investment practices;
- Consistency in the level of the employer's profits;
- Prospects for continued profits to fund the retirement plan;
- Tax deductibility of contributions;
- Employer's need to be able to compete for qualified employees;
- Plan features designed to benefit specific employees as retention incentives;
- Plan features available to encourage participation under the plan, such as the ability to borrow from an individual account; and
- Ease of administration and impact on an employer's human resources and payroll staff.

Balancing these and other employee and employer-based considerations, therefore, results in an efficient and successful plan design. The next section discusses the tax deduction limits of the various types of plans which can play a role in determining the appropriate retirement plan for the employer.

3.3 Contributions and Deductions

Contributions

The contributions and allocations section of a defined contribution plan document will explain how the amount of required or discretionary contribution is determined. For example, while money purchase plans contain a required contribution formula, sponsors of profit sharing plans enjoy discretion in the amount of profit sharing contributions made each year, if any. Notably, sponsors of profit sharing plans may contribute amounts that exceed current or accumulated profits, and therefore the plan document should be

carefully checked to understand how a sponsor will determine its profit sharing contribution. Any employer matching contribution formula for 401(k) plans also will be specified in the plan document.

Deductibility of Employer Contributions

Employers normally expect and desire their plan contributions to be deductible under the Internal Revenue Code, and there are many rules that affect the deductibility of employer contributions made to a retirement plan. Consequently, it is common practice for a retirement plan administration firm to provide contribution information to a plan sponsor so that the sponsor's tax advisors may confirm deductible amounts and contribution deadlines.

This information regarding contributions may include:

- The minimum required contribution amount;
- The recommended contribution amount;
- The maximum contribution amount; and
- Any deadlines for depositing plan contributions.

The maximum 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 compensation of eligible participants.

Plan Documentation

The first crucial steps in the process of plan administration begins with designing the right plan to meet the plan sponsor's goals, creating the written plan documents, and setting the plan in motion or installing the plan. This process is critical to establishing and maintaining a qualified retirement plan for the benefit of the employer's participating employees as well as for the employer itself. Time spent here avoiding potential missteps will be well-spent. Once formalized on paper, what constitutes the plan document will not only fulfill one of the four fundamental requirements for qualification—that the plan be in written form—but it will also serve as the cornerstone reference for future plan operation and administration.

Adoption of a New Plan Document

The last day of the first plan year is the signing deadline for a qualified plan document for all non-401(k) plans. For example, a profit sharing plan established for the 2008 calendar year must be executed no later than December 31, 2008.

401(k) plans are subject to an accelerated deadline and must be adopted prior to the withholding of the first elective deferrals from employees' paychecks. Thus, if elective deferrals were to begin with the payroll period ending March 15, 2008, the employer must sign the plan document before that payroll date.

Basic Plan Document Language

Compensation

The definition of compensation is normally referenced in the benefit and contribution or allocation sections of a plan document. Compensation for benefit and contribution purposes often includes the total compensation of a participant. However, plan sponsors are allowed to include or exclude certain components of compensation, such as elective deferrals, and moving expenses, so long as the result is a definition of compensation that does not disproportionately favor higher-paid employees. In this manner, sponsors have a degree of flexibility in limiting the eligible compensation that will be utilized by the plan for calculating benefits.

Eligible Employees

Identifying those employees who are allowed to participate or are covered under the plan and those who are excluded from coverage begins with the definition of employees and eligible employees. For example, the definition of employee often provides that all employees are eligible to participate in the plan except non-resident aliens with no U.S. source income and those employees subject to a collective bargaining agreement, i.e., union employees. The term eligible employee normally states that an employee who meets the definition of employee and who has met the eligibility requirements is an eligible employee. Because of the cross-referencing to eligibility determination, sometimes these definitions are found in the eligibility and participation sections of the plan document instead of the definitions section.

Fiscal and Plan Year

The plan sponsor's fiscal year will be referenced in the definitions section of the plan document, as will the plan year. These periods may not always coincide. For example, employers might use 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 basis. For ease of administration of the plan, they might use the calendar year as the plan year allowing them to provide data to the plan for the same period of time as for the corporate filings.

Normal Retirement Date and Age

Some drafters of plan documents separate the definitions of normal retirement date and normal retirement age, while others combine the two into one definition. The definition of normal retirement age typically is a specific age, such as age 65, or a specified age and period of service, such as age 65 and the 5 anniversary of the date the participant first entered the plan.

Hours of Service

The hours of service definition is a fairly standard definition in all qualified plans as it must mirror Internal Revenue Code and DOL requirements. Employees usually earn or accrue hours of service for any hour paid, which may include time for vacation, holidays, jury duty, illness or military leave. Also, the application of the provision indicates the number of hours needed during the plan year, if any, to satisfy eligibility, vesting and contribution allocation requirements.

Year of Service

There are several routinely employed definitions of year of service. The most common is defined as a consecutive 12-month period in which the employee has worked or is entitled to payment for at least 1,000 hours of service. To simplify vesting calculations and the allocation of contributions the 12-month period will generally be the same as the plan year, as this assures that all participants' service will be measured over the same twelve months.

Leave of Absence

The plan document should be reviewed for definitions regarding a break in service since it affects eligibility and vesting year computations. The definition of a one-year break in service is based on Internal Revenue Code requirements and usually is a 12-month period corresponding to the plan year in which a participant does not complete more than 500 hours of service. 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.

Highly Compensated and Key Employees

Basic to this tenet is the statutory definition of a highly compensated employee (HCE). Generally, an HCE is any employee who satisfies either the ownership or the compensation test.

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.

Ownership status on any single day in either the current plan year or the 12-month period immediately preceding the current plan year (the lookback year) is considered.

Compensation Test

An employee satisfies the compensation test if the employee earns more than \$100,000 (as indexed for 2007) in the lookback 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. Refer to Appendix A for a summary of the various plan limits, including limits applicable to the compensation test.

Top-Paid Group Election

The employer may elect to add a requirement that, in addition to satisfying the compensation test, the employee be in the top 20 percent of employees when ranked by compensation to be considered an HCE. This election, known as the top-paid group election, must be in the plan document, or the plan document must be amended to add the election should the employer wish to use it. Use of the top-paid group election does not affect the 5% owner test.

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 completed six months of service by the end of the year;
- Those who normally work less than six months per year;
- Those who normally work less than 17% hours per week; and
- Those younger than age 21.

Non-Highly Compensated Employee

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

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.

5% Owner

As we discussed in Chapter 2, a 5% owner is defined as any employee who owns, directly or indirectly, more than 5 percent of the business regardless of compensation.

1% Owner

A 1% owner is any employee who owns, directly or indirectly, more than 1 percent of the business and whose annual compensation exceeds \$150,000. Note that this compensation limit is not indexed.

Includible Officer

Generally, an officer whose annual compensation is \$145,000 or more for 2007 (as indexed) is considered a key employee. However, under this classification, the maximum number of officers to designate as key employees is 50, or, if less, the greater of 10 percent of the employees or three. Thus, not all officers are includible officers for determining key employee status. Refer to Appendix A for a summary of the various plan limits, including limits applicable to the includible officer test.

Compensation

The definition of compensation used for the key employee determination is the same as the definition of compensation used for the HCE determination: 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.

Also, note that a 5% owner would be both an HCE and a key employee. However, the differences in compensation limits for the inclusion of 1 percent ownership and officer status within the definition of key employees will usually serve to create more HCEs than key employees.

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. The eligibility and participation section will generally narrow the definition of eligible or participating employees by listing groups of employees who will be excluded from plan coverage, such as:

- Those employees who have not worked a certain minimum number of hours or months;
- or
- Have not attained a certain age; or
- Who are members of a specific group, such as union employees.

This section varies considerably from plan to plan because each plan sponsor will select permissible eligibility and participation requirements that best suit its goals and reflect the composition of its workforce.

Eligibility Date

The Internal Revenue Code permits an employer to require an employee to reach age 21 and complete a year of service before the employee becomes eligible 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 an important exception 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.

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 becomes eligible to participate in the plan by completing all requirements for eligibility and the date that the employee actually becomes a participant under the plan.

Eligibility and participation is different thing, and the distinction is a very important one. Deductibility of contributions, required contributions, minimum benefits or contributions, coverage and nondiscrimination requirements all directly relate to these definitions. It is mentioned in the plan document when an employee becomes eligible to participate in the plan, and when that employee actually begins to participate or enters the plan.

Vesting

Vesting Rules

The vested portion of the participant's account is the portion owned by the participant and is the amount that will be paid to him or her upon a distributable event, such as retirement or other occurrence when the Internal Revenue Code or ERISA would allow the plan to distribute benefits. Employees usually earn full ownership of their accounts in increments based on the number of years of service completed with the employer. In this manner, continued service with the plan sponsor is rewarded by steadily increasing ownership of the retirement benefits provided by that plan sponsor.

Testing

Plan must pass some tests in order to get the tax advantage. One of the key test is Top-Heavy Test. Plans must also pass minimum coverage testing. IRC §410(b) governs the minimum coverage requirements of qualified plans. Plans must set their eligibility and participation criteria such that they allow a nondiscriminatory cross-section of HCEs and NHCEs to receive benefits from the plans. Qualified plans cannot skew the method by which they determine eligibility for benefits so that HCEs benefit under the plans in disproportionately greater numbers when compared to the numbers of NHCEs who benefit. Any such result would jeopardize the plan's qualified status. In fact, if minimum coverage were not satisfied, it would not matter how large a benefit is provided to those covered; the plan would face disqualification under the Internal Revenue Code. Under the Internal Revenue Code, qualified plans may not discriminate in favor of the highly compensated in the level or amount of benefits provided to plan participants. Each year, to demonstrate compliance with these statutes, a qualified 401 (k) plan must show that HCEs are not contributing either pre-tax or after-tax more than an allowable percentage of their compensation to the plan, and similarly are not receiving more than an allowable percentage as a matching contribution. The Internal Revenue Code's requirements may be satisfied through yearly performance of the special tests for 401(k) plans or by designing the plan to satisfy the rules automatically such as in a safe harbor 401 (k) plan.

Top-Heavy Test

After the key employees have been identified, the task at hand becomes determination of the plan's top-heavy status. The plan document introduces the top-heavy rules and how they are to be applied to the plan.

A plan is top-heavy if the account balances (in a defined contribution plan) of key employees exceed 60 percent of the total account balances or present value of accrued benefits of all participants.

Generally, all plans of the plan sponsor must be aggregated, or combined, and tested together for purposes of determining top-heavy status, including terminated plans and safe harbor 401(k) plans, as applicable. Safe harbor 401(k) plans designed to be exempt from nondiscrimination testing by providing a minimum employer contribution in the form of a qualified non-elective contribution or a matching contribution, along with compliance with certain vesting, employee notification and restrictions on withdrawal standards. Certain safe harbor plans are granted non-top-heavy status regardless of their amount of benefits for key employees.

Nondiscrimination Testing

Under the Internal Revenue Code, qualified plans may not discriminate in favor of the highly compensated in the level or amount of benefits provided to plan participants. Each year, to demonstrate compliance with these statutes, a qualified 401 (k) plan must show that HCEs are not contributing either pre-tax or after-tax more than an allowable percentage of their compensation to the plan, and similarly are not receiving more than an allowable percentage 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.

3.4 Allocation Procedure

Allocation is the annual project which is completed by a third party administrator for a retirement plan client. Keeping all the rules above in mind Datapath and July Services do allocation. This project consists of a set of reports containing the following:

- **Census Reports:** The census reports provide details on each employee and show their status for eligibility in the plan, plan entry dates, years of service for vesting, salary, and other important information.
- **Contribution Report:** The contribution report provides details of the amounts contributed by and allocated to each of the eligible plan participants.
- **Summary of Accounts:** This report shows a summary of the transactions of each 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 shows a plan-level summary of the transactions for the plan as a whole.

- **Compliance Tests:** The report also contains several important tests that document the plan's compliance with certain IRS Regulations. Plans must pass these tests to retain their tax-favored status.
- **Allocation Letter:** This letter is sent to the client contains the result of all the reports. Here the contribution instructions are made to instruct the client about what actual amount the participant are getting.
- **Daily Recordkeeping Memo:** In this memo the instruction is made for the record keeper to transfer the account 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 Datapath and July Services must have the knowledge and guidelines about the RPF1 & RPF2 and other coursework.

3.5 Bangladesh's Retirement Policy

Pension is granted to a government servant on his/her retirement from public service on the basis of length of qualifying service rendered and amount of emoluments last drawn. The government servants were entitled to pension in Bangladesh. But at present in the case of many autonomous organizations namely universities, nationalized enterprises, banks, etc., pension system has been introduced. The government servants receive their pension from the government and officials of autonomous bodies receive their pension from their appointing authority.

Types of Pension:

1. Compensation pension

This pension is provided to the officials who have lost jobs because of abolition of their posts in downsizing some offices or organizations by the government to keep these in economic size.

A government servant can claim compensation pension for his/her past service. S/he is either appointed in new post or transferred to other establishments. The procedure in providing this pension involves preparing of a list of the officials losing their jobs at a minimum expenditure of the government.

Invalid Pension

If an employee becomes invalid permanently, physically and mentally, in that case the government grants him/her invalid pension. According to Bangladesh service rules if an employee applies for invalid pension

before attaining 57 years of age then head of the office will process the sanction for the pension on the basis of the medical certificate as to the invalidation of the employee.

Superannuation Pension

Superannuation pension take place when a public servant retires compulsorily at a certain age fixed by the government. In this context age has been fixed in the Public Service Act 1974. Accordingly an employee retires from service after completion of 57 years of age. Recently, the government has increased the retirement age for judges and public university teachers to 65 year. The major issue in the case of this pension is that the exact birth date is not always known in which case date of birth is assumed and rationality of age is lost.

Retiring Pension

According to the law of the country the government may, if it considers necessary in the public interest so to do, retire from service a public servant at any time after s/he has completed 25 years of service without assigning any reason. But any other appointing authority is not authorized to exercise this power. If any sub-ordinate appointing authority desires that an employee employed by it should retire after 25 years of service, in that case that authority shall propose to the concerned ministry to that effect. In the case of gazetted officers the issue of retiring shall be referred to the President of Bangladesh for decision.

Optional Pension

A public servant has unqualified right to opt to retire from service at any time after s/he has completed 25 years of service upon the only condition that s/he shall have to give a notice in writing to the appointing authority at least 30 days prior to the date of his/her intended retirement. In this case the government is bound to accept the option and has no legal scope to refuse. But such option once exercised shall be final and shall not be permitted to be modified or withdrawn.

Family Pension

Pension is allowed to the family of pensioners on his/her death and this is called family pension. In the case of family pension, a public servant while remaining in service at any time afterwards may nominate one or more members of his/her family as successor for the whole or part of his/her family pension. But in the absence of nomination and if the wife of the deceased pensioner or any member of the family is not available, in that case his/her last controlling authority shall decide the successor for providing family pension and gratuity. However mention is made here that the rules for family pension are different for different members nominated.

2. Retirement Benefits

Retirement is the withdrawal from one's occupation or from active works. According to one author, 'retirement is a time when people move from certain roles and seek other roles'. The retirement benefits are provided to the retired employees of the government and parasitical organizations. A retired public servant is entitled to a number of benefits at retirement.

Leave Preparatory to Retirement (LPR)

This is admissible to a retired public servant. The period of such leave may extend to beyond the date of retirement but not beyond the completion of the fifty-eighth year of age and if s/he proceeds on such leave before the date of his/her retirement, his/her retirement shall be effective on the expiry of the leave. After enjoying the LPR, if the retiree have earned leave to his/her credit s/he will be entitled to 12 months' pay for 12 months' of un-enjoyed earned leave.

Gratuity

The government presently allows gratuity to the retiring person up to 80% of the emoluments of the retiree after his/her completing 25 years of pensionable service. Presently a retired public servant is allowed a gratuity in lieu of 50% of his gross pension which s/he surrenders compulsorily at the rate of Tk 200 for one taka. S/he is also allowed to surrender the remaining 50% of his/her gross pension at the rate of Tk. 100 for one taka.

Family Pension

The family of a retiring public servant is entitled to family pension in the following manner:

- i. The retiring employee shall nominate one or more members of his/her family as successor for the pension. In the absence of nomination the method of nominating successors for his/her family pension and gratuity shall be as follows:
 - a. in the case of male employee, his wife/wives
 - b. in the case of female employee, her husband
 - c. children of the deceased
 - d. the widowed wife/wives and children of the deceased son of the deceased employee

If the above successors are not available, the following relatives of the deceased employee shall be considered as heirs for pension and gratuity:

- a. Brother of less than 18 years of age
- b. Unmarried and widowed sister
- c. Father

d. Mother

Mention is made here that if the wife of the deceased employee does not remarry, she will be entitled to such pension. But if she enters into remarriage, she will not be entitled to such pension.

Government Accommodation

In the event of death, retirement including compulsory retirement, the retired person or his family is entitled to remain in the allotted accommodation. If the retired employee (allote) dies while in service, his/her family shall be permitted to stay in the accommodation for two years subject to certain conditions from the date of the death of the allottee.

Benevolent Fund

If a retired employee dies during service time or dies within five years from the date of superannuation, s/he or in the event of death, his/her family, shall be entitled to receive a benevolent fund grant from the benevolent fund according to the scale specified in the schedule, for a period of ten years.

Group Insurance

Group Insurance fund has been constituted by the government. All employees except the class III and class IV employees are required to deposit premium to the Fund at the prescribed rates. This is managed by a Trustee Board. Every government employee may nominate someone for receiving money from the fund.

If an employee dies while in service, his/her family will get one time financial help from the Fund. The amount of that help shall be equivalent to the pay of 24 months based on the last pay of the deceased employee. However the amount in any case shall not exceed Tk. 100,000.

Despite retirement and pensioner benefits available for the retired government servants, there are many recurring issues in the process of delivery of the benefits. These are discussed herein:

Complex Rules:

The public employees when they retire or die face numerous problems in getting their pensions or family pension and other benefits provided by the government. The various guidelines/directives issued by the government related to the pension, gratuity, benevolent fund and group insurance are found to be conflicting and inconsistent in implementation. Despite the Public Servants Retirement Act 1974 has been issued after independence of Bangladesh, yet in the case of providing pension, other rules, government orders, etc followed are very old. Bangladesh service rules which are virtually reproduction/reprinting of the East Bengal Service Rules (PART – I) and the revised pension rules and rates and retirement benefits

issued by the East Pakistan Government are considered in payment of pension. Ordinary pensioners hardly understand the various government rules and regulations about the pension and retirement benefits. This makes the drawing of retirement benefits a painful experience.

Non-qualifying service

Not all public services are pensionable. Only the pensionable services are entitled to pension. Generally speaking those who draw salaries from the general revenue head of the government are usually allowed pensions on retirement. Some of the non-qualifying services are mentioned below:

a. The services for which pay is paid from local autonomous bodies, trust funds and nationalized organizations or from commission and fees are not pensionable service.

b. If after the completion of probation period of the service the employee is not appointed in any post, then such probation period shall not be counted as pensionable service.

c. Extraordinary leave is not counted for pension

d. If a public servant is temporarily suspended from his/her post against allegation of offence and is reinstated in the said post and if any part of his/her pay is confiscated for the suspension period, then the period of temporary suspension shall not be counted/considered for pension.

e. If any public servant performs job after production of medical certificate on the ground of invalidity, that period of service shall not be considered for pension.

f. If resignation is submitted, the service preceding the resignation is cancelled and is not entitled to pension.

g. If a public servant is removed or dismissed from service on account of misconduct, insolvency or invalidity, his/her previous service is confiscated and as such not considered for pension.

Retirement Benefits not entitled in certain cases

If any judicial proceeding instituted by the government or employer or any departmental proceedings are pending against a public servant at the time of his/her retirement, s/he shall not be entitled to any pension or other retirement benefits except his/her subscriptions to any provident fund and the interest there on till the determination of such proceedings and the payment to him/her of any pension or other benefits shall be subject to the findings in such proceedings.

According to the Public Servants Retirement Act 1974, a public servant is any person in the service of the Republic, but s/he is not any person who:

- a. is a member of any defense service
- b. is a teacher or employee of any university
- c. is employed in or under a commission, committee or Board setup for a temporary period for specified purposes
- d. is a contingent or a work charged employee working in the state owned manufacturing industries
- e. holds any office which is filled by election or nomination under any law and
- f. holds any office the tenure of which is determined by or under law

Accommodation Facility

In the case of death or retirement of a public employee his/her family is allowed to retain the allotted accommodation only for a limited period. In most cases it happens that families of the retired persons face acute problems of housing after vacating the allotted accommodation. Most of the families do not possess own house and are also not capable of hiring suitable private accommodation. At this, the children of the families who are yet to complete their education face tremendous hurdles in their studies. Their education is virtually disrupted. On the other hand the elderly members of the family feel insecure for want of living houses and financial constraints. The consequence being that the socio economic conditions of most of the families of the retired officials become deteriorating after retirement and moving out of provided accommodation.

The retirement benefits that are provided to the retired officers and employees of the defense services are almost the same as are available to the personnel of the civil service. The only exception in the case of defense service is that the employees of this service receive 'Ration' in the form of concessionary supplies in addition to normal benefits. The defense service holders are retired by the government compulsorily in the case of their physical and medical unfitness. But this is not the case for civil service employees.

3.6 Responsibilities as an intern:

- Providing Reconciliation Services of financial statements to the clients of U.S.A , (Annual reports, financial statements, Transaction profile etc.)
- Utilizing various software and web based platform to produce annual reports as well as developing strong partnerships with senior staffs to effectively anticipate and respond to client needs.
- Prepare year end reports for specific client.

- Calculate financial data, analyze relevant information, reconciling wherever necessary and preparing financial statements.
- Financial data processing, reconciliation, including processing payroll contribution files
- Customer support, includes email inquiries and software based consultation
- Invoicing based on requirements
- Assist client during the mergers, closings and conversions.
- Communicating with financial advisors and sponsors
- Communicating with pertinent professionals.

4.0 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:

4.1 US Retirement Policy

There are some distinct features of US retirement policy for which those are so much popular and widely used by both government and non-government organization even in case of sole-proprietorship.

Government Rules:

US Department of Labor has provided a number of retirement plans. Beside the government organizations, each and every non- government organizations also have to adopt at least one of those plans. The sole proprietorship businesses also have to adopt the retirement plans.

Peoples desire to save:

People have to contribute some portion of their income to the retirement plan to ensure a secure and benefited future. These contributions become savings for them. Every year they have contributed an amount of money. At the time of their retirement or termination they would get a handsome amount of profit sharing benefit on their deferred amount.

Rules for Highly and Non-Highly Compensated employees:

The HCE cannot contribute more than the allowable percentage of their compensation into the plan. In this way US can minimize the discrimination between HCEs and NHCEs.

People's right to know:

The participants of any plan have the right to know where their contribution is going and from which source they are getting benefit. Not only that, as US has the strict rules on deferring and getting contributions so that participants has the clear idea how much they are going to get after retirement.

Contribution to the national economy:

The money accumulated from various retirement plans is invested in various ventures especially in the share market. As almost all the people in covered under the retirement plans, the accumulated amount is very high, and the return is also high from the invested amount.

Contribution to the homeland economy:

There are a good number of immigrants in US those who are serving various US organizations. They are also covered under various retirement plans. In these cases they can invest their contributed amount any venture of their homeland.

Increase Self-dependency:

At old age they don't depend on their children. They can't think living with all in a family. These savings, benefits are the main instrument to make them self-dependent.

Age limit:

The age limit is maximum 65.5years. They are 100% vested at that age. They have also early retirement policy which is followed for 55 years.

4.2 Bangladesh Government's Pension Policy

Pension system in Bangladesh is mainly observed in government services. The pension issues are settled according to the rules of the Public Servants. In Bangladesh the retirement policy is not applicable in private organizations. Still there is no example of adopting any retirement policy by any sole proprietorship. The features of Bangladesh Govt. retirement policy are stated below:

Insufficient amount:

The Retirement due to old age makes the elderly people very insecure and vulnerable. Government doesn't give any benefit or profit sharing amount to the people so that the amount that one person getting after their retirement is very insufficient to live future life. Government has recently introduced Old Age Allowance Programmed which covers small fraction of elderly people in the country who are not covered by pension system. Although limited in coverage, this is a healthy beginning of providing security to vast majority of the elderly people who are not covered by the existing pension system.

Some services are off from pension policy

Not all public services are pensionable. Only the pensionable services are entitled to pension. Generally speaking those who draw salaries from the general revenue head of the government are usually allowed pensions on retirement. The services for which pay is paid from local autonomous bodies, trust funds and nationalized organizations or from commission and fees are not pensionable services.

Terminated employee:

If a public servant is removed or dismissed from service on account of misconduct, insolvency or invalidity, his/her previous service is confiscated and as such not considered for pension. In USA terminated employees get their due contribution as their rules. Whatever they performed for their pension fund they will get the portion of contribution up to termination date.

Suspended Employee:

If a public servant is temporarily suspended from his/her post against allegation of offence and is reinstated in the said post and if any part of his/her pay is confiscated for the suspension period, then the period of temporary suspension shall not be counted or considered for pension. This suspension time may be long. In that time they are not able to add more for pension.

Not aware about their contributions:

The amount they are contributing or saving for provident fund is kept in a bank. This amount is invested in other sources. They don't have any idea that where is going or invested their money. Only they get a fixed interest on their principle amount.

No Scheme for Private sectors:

Most of the people of Bangladesh are working in private organization. There is no uniform retirement benefit scheme for private sector workers. They only receive some gratuity at retirement. Govt. implies no pension rules for them.

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.

Lack of self-dependency:

In old age Bangladeshi people are depended on their children so that they have no tendency to secure their life in old age. Some people do this policy but the amount is not sufficient to carry on their life.

Qualifying Conditions:

The scheme caters only to civil servants and railway employees. A government employee retires at 57 or voluntarily after the completion of 25 years of service, whichever comes first. It is 60 for the teachers and the freedom fighter of Bangladesh. And the early retirement requires 25 years of service.

Same Rules for All Departments:

As government rules are applied to all so that these rules are not varies organization to organization. The matching contribution or profit sharing is not applicable. In fact they are unknown with these terms. Employer has no chance to change the facilities or policy whatever is given to the employee. In USA, employer can choose the policy format.

5.0 Recommendations

From the realization of pension policy during the whole period of practical experience in Data-path I have found some differences and lacking of Bangladesh pension policy. I have reached some solid decisions both for Data-path and Bangladesh pension fund. To improve this state of affairs I want to recommend fairly in very confident way. I believe that my realization will be in agreement with most of the policy makers.

5.1 For Data-path:

Right person in the Right Place:

Right person in the right place at the right time should be the policy of recruitment. Data-path should recruit perfect and merit person for their duty. To have the efficiency and quality it should be maintained. Employees should have literacy to understand the retirement pension benefit of USA. So that training should be done perfectly. The employees must have high communication skill as they need to communicate with clients, US consultants. They must have vast knowledge and intelligence to make allocation reports. They should have the ability to take workload in the bust season, before tax return date. 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 duties for July Services. After a long time they got the permission for making report for the client of JBS by building the trust. Here privacy and security is the main fact to make report. Some sensitive information we came to know at the time of making report. These enable us that we are trustworthy. It should be our proud that a country like USA trusts us and make their pension report by us. So we should continue this policy. It represents our national personality. If we carry on this then the number outsourcing will increase. It will also increase our national income.

5.2 For Bangladesh:

Amount should be sufficient:

The amount they are getting should be sufficient in amount. If there are many options to contribute and interest rate is high then the contributed amount and payback amount will be high. It will be helpful for all. For example, the more contributed money is saved the more money is to be invested. It is another way

to income for the govt. And if the amount of pension is sufficient then it will be helpful in their old age and they don't have to depend on others.

Should have a responsible organization

Every public organization maintains pension policy by them. It would be better if Bangladesh have specific organization or third party organization for pension policy. To maintain the pension policy Bangladesh should have specific organization which is only responsible for pension policy. As USA has TPA for allocation Bangladesh should also have this type of organization. To make a pragmatic policy, contribution, deferral Bangladesh may settle a very responsible, trustworthy organization. It will be helpful for the people and it won't be burden for others.

Should introduce in private sector:

The private sector may have their policy for the provident fund. But it is slight different from govt. rules. If govt. introduces pension policy or govt. makes pension policy free for all the sectors of Bangladesh. It will also helpful to all. For the private sector govt. may make extra rules for retirement benefit plan. As an employee of Bangladesh they must have the right to get some facilities from the govt. in pension fund.

Must have to aware about the contribution

The employee should have the idea about their contributed amount that where that amount is invested or going. If responsible organization works for the pension fund then it is possible to invest the contributed money in some fixed sources. Such type of organization may maintain stock market for the participants. These participants can also claim the interest and profit sharing of their money. The income will increase for all.

Should motivate for provident fund:

Not all the employees are having provident fund. So Government should motivate their employees for the provident fund by offering new incentives or facilities. Family support is the basic security of most elderly people in Bangladesh. Policy level initiatives and institutional arrangements to provide social security to the elderly outside the family system are quite limited. There is a felt need for evolving a retirement and pension system that will be fair, equitable to all segments of the society, meet the constitutional obligation of social security for the elderly and conform to basic human dignity. Informing about the advantages to hold a provident account and disadvantages of not maintaining provident fund may be motivate them It will be helpful for the future life of the employees and the government also.

Should have rules for HCE/ NHCE:

Bangladesh govt. should also imply some rules for highly compensated employees to reduce the discrepancies' between highly and non-highly compensated employees. 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:

In the old age children are the shelter for the people. This tendency makes them disable. If they become active in work life and maintain provident fund properly then self- dependency will increase in our country. If the policy maker improve their pension policy or follow some effective rules of US pension policy then it will increase the self-dependency. So in the old age they don't need to depend on their child or don't need to live in the old home

6.0 Conclusions

After exploring the IRS rules and regulations it may be conclude that the American retirement benefit plan is encouraging the American citizen to save money for their old age. The smooth functioning of a, industry depends upon the activities of the institution which over sighted the function of the industry. For all types of retirement benefit plan reporting the IRS and DOL has the separate dead line to submit the report which must be maintained by the plan sponsor. The IRS not only impose penalty for non-compliance with the regulations but also give incentives to those plan sponsor who are always complied with the IRS and DOL guidelines. The employer who has retirement benefit plan can get the tax benefit from the federal government. The employer profit sharing and matching contribution which is contributed by the employer is fully tax exempted. So set up the retirement benefit plan has twofold benefit. One is the employee satisfaction to work because they have the financial security at their old age and another one is tax benefit from the central government. The American retirement benefit plan is making contribution to their stock market and makes people interested about the stock market and contributing the overall economy. This report may help to improve the retirement benefit system of Bangladesh.

7.0 Bibliography & Referencing

7.1 Appendix

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
TPA	— Third Party Administrator
LPR	— Leave Preparatory to Retirement

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