

Report On
Retirement Plan: Bangladesh and the USA Comparative Study

By

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An internship report submitted to the **BRAC Business School** in partial fulfillment of the requirements for the degree of Bachelor of Business Administration

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Declaration

It is hereby declared that

1. The internship report submitted is my/our 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/We have acknowledged all main sources of help.

Student's Full Name & Signature:

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Letter of Transmittal

Mr. Zaheed Husein Mohammad Al-Din
Senior Lecturer,
BRAC Business School
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report

Dear Sir,

I'm happy to send along my internship report, "Retirement Plan: Bangladesh and the USA Comparative Study" with this message. in accordance with the requirements needed for me to finish my degree. In producing this report, I have attempted to include all of my best efforts and knowledge from my undergraduate studies. This study makes an effort to compare and contrast the retirement programs of the United States and Bangladesh. I hope that this report surpasses your expectations and evaluations.

I sincerely appreciate your thoughtful oversight during my internship.

Sincerely yours,

Tanvir Anjum
18204057
BRAC Business School
BRAC University.

Non-Disclosure Agreement

This agreement is made and entered into by and between Data Path Ltd. and the undersigned student at BRAC University, BRAC Business School

.....Tanvir Anjum.....

Acknowledgement

My sincere gratitude goes out to Mr. Zaheed Husein Mohammad Al-Din, my internship supervisor, for his steadfast guidance and support, without which this report would not be possible. My sincere thanks go out to BRAC University and all of my professors, who have greatly influenced my knowledge and wisdom, which I have discussed in my report.

I would want to thank Data Path Ltd. as well for giving me such a wonderful internship opportunity. I have the utmost thanks for Mr. Imran Qaosar, my team leader, and Mr. Mahfuzur Robbani (SM, Data Path Ltd.) for their constant support and supervision, which allowed me to acquire priceless professional experience and competence.

Executive Summary

Several facets of the retirement plan procedure in Bangladesh and the United States are explained in this study. And using a comparison analysis, I attempted to determine how far Bangladesh lags behind the United States in terms of retirement plan structure and how efficient and well-regulated the American retirement industry is.

The study begins by outlining the USA Retirement process. Even in the case of sole proprietorship, there are several unique aspects of US retirement policies that are extremely well-liked and frequently utilized by both government and non-government firms.

Government regulations, people's willingness to save, people's access to information, and contributions to the national and local economies are the main reasons why this saving strategy is so well-liked. The US government genuinely cares about safeguarding the rights of retirees and providing them with financial security in their latter years. The Department of Labor (DOL) and the Internal Revenue Service (IRS) offer instructions to employers on how to administer retirement benefit plans so that employees can receive retirement benefits. The retirement plan also saves the employer money on taxes related to the company's profits.

The report's second section provides a brief overview of the retirement market in Bangladesh. There are several disorganized and completely unstructured pension systems in place in both the public and commercial sectors. Inadequate regulations regarding retirement benefits such as gratuity, charitable contributions, public housing, group health insurance, etc.

In the third step, I made an effort to pinpoint some significant differences between retirement policies in Bangladesh and the United States. There are also differences in the quantity of benefits, government regulations, people's rights, economic participation, and reliance.

Lastly, I offered a few recommendations based on the results, such as the government's genuine interest for defending retirees' rights. If the government modifies or reshapes the

policy, it could be feasible to introduce a structured policy. Bangladesh will also benefit from this report's improved retirement provident fund.

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List of Acronyms

- BPO: Business Process Outsourcing
- RPF: Retirement Provident Fund
- DOB: Date Of birth
- DOH: Date of hire
- DOT: date of Termination
- Gross Comp: Gross Compensation
- 401k Cont.: Deferral
- R401k Cont.: Roth
- IRS: Internal Revenue Service
- FICA: Federal Insurance Contributions Act
- ERISA: Employee Retirement Income Security Act
- CPA: Certified Public Accountant
- TPA: Third Party Administrator
- QKA: Qualified 401(k) Administrator
- HCE: Highly Compensated Employees
- NHCE: Non-Highly compensated Employees
- ADP: Actual Deferral Percentage
- ACP: Actual contribution percentage
- PS: Profit sharing
- SHM: Safe Harbor Match
- SHNE: Safe Harbor Non-Elective

Chapter 1: Introductory part

Rationale

Undergraduate degrees necessitate internships. A person benefits from an internship since it gives them access to opportunities and new skills that they otherwise wouldn't have. In addition to learning the technical aspects of their chosen field, interns also learn how to communicate with professionals in the workplace and develop critical soft skills like time management, communication, flexibility, decision-making, teamwork, and leadership. However, previous internship experience shows that I'm dedicated to learning about the topic and that you've developed the abilities to help you in the job at your next chance. A student who completes an internship learns both theoretical and practical information. On June 24, 2021, as directed by the HR manager, I started working as an intern for DataPath Ltd. (a business based in the United States) for a four-month internship course in the Distribution department.

As a retirement plan provider, DataPath Ltd. mostly serves clients in the United States. The government is highly concerned and committed to protecting retired people's rights and ensuring their financial stability in retirement. Most firms set up a retirement plan to take advantage of tax breaks and to attract new employees. The ideas, limits, and reporting system of the American retirement plan are all exceedingly complicated. Even for US firms, understanding everything and responding effectively is difficult. This is why they use Third Party Administrators (TPA) to create the financial accounts and reports for the fiscal year. Training new staff to prepare allocation reports is more difficult due to the intricacy of the task. The primary duty of DataPath Ltd is to create retirement reports in line with US norms and laws.

This company primarily concentrates on the creation of software and outsourcing. The cost-cutting strategy of outsourcing has a big influence on businesses. A corporation will contract with another business to do tasks for them in exchange for labor and compensation. Bangladesh is the third-best outsourcing country in the world. Bangladesh is a country where outsourcing has a promising future (Outsourcing in Bangladesh, 2013). In an outsourced firm, there are many opportunities for progress and professional development. That is why we decided to conduct this study since DataPath Ltd, an outsourcing business, is responsible for carrying it out.

A wide range of advantages come with outsourcing to Bangladesh. Cost-effectiveness, increased competition, favorable geographic location, prompt service, on-time delivery, superior quality, a pool of qualified IT professionals, efficient project oversight, support from the government, linguistic competence, dependable communication infrastructure, and a wealth of outsourcing expertise are some of these. This shows a sizable potential for foreign exchange profits in this industry, subject to aggressive government action and proactive ambassador participation (Outsourcing in Bangladesh, 2013).

Objectives

The fundamental goal of my internship report is for me to become acquainted with the US retirement pension plan service, develop practical experience, and obtain knowledge about the professional world. Furthermore, I intend to address the constraints and obstacles that I faced throughout my internship.

- Assess if there are any knowledge or skill gaps in the university curriculum that are relevant to the organization.
- Offer solutions to the identified issues during the internship.
- Describe the diverse processes and services of the company in handling customer interactions and various situations.
- Identify any discrepancies between assigned responsibilities and other organizational operations in relation to my academic preparation.
- Articulate the lessons and knowledge acquired during the internship.
- Learn about the services provided by DataPath Ltd's Distribution Department.

Background of the Company:

Privately held and based in both the United States and Bangladesh, DataPath is an outsourcing company with unmatched expertise in all business activities and sectors. DataPath may be the sole company capable of offering complete solutions, utilizing cutting-edge technology for database and material collecting thru translation, computation, quarrying, and circulation. A wide range of

innovative products and services are employed to accomplish this. The primary goal of DataPath is to offer solutions that may greatly enhance the businesses of its clients.

A branch of July Business Services since 2008, DataPath. Jim Hudson, Mr. Ashfaqur Rahman, and John Humphrey founded the company. July Business Services is a well-known name in the American retirement plan sector. The 401(k) plans, often known as pension plans, are the company's primary business. More than 150 people work for DataPath Ltd.

Jim Hudson began to work as a Certified Public Accountant for a large accounting firm at the beginning of the 1980s. He originally provided tax assistance before focusing on retirement plan management.

In partnership with financial advisors and employers, July Business Services offers integrated criteria plans, payroll, and record-keeping services in addition to retirement plan administration and record-keeping services. Since its founding in 1994, July Business Services has stood by its commitment to excellent service and has served over 3000 customers.

DataPath began as an experiment in 2008 with a small office and few staff. It began by carrying out support duties during the month of July. It had six employees at first, all of them were talented and competent to comprehend the job. After growing to 50 workers in 2010, DataPath relocated to Gulshan. In 2015, DataPath saw fast growth, necessitating a team expansion and relocation to Mohakhali. More Third-Party Administrators were interested in outsourcing their company operations to DataPath because of their competence in the retirement plan industry.

Vision & Mission statement of DataPath Ltd.

DataPath's vision is to be the industry leader in outsourcing by transforming traditional BPO into cutting-edge next-generation BPO.

Mission Statement:

DataPath works to enable administrators in benefits and finance to engage clients through a superior user experience and save healthcare expenses by utilizing cutting-edge technical solutions. DataPath is dedicated to working with customers to create cutting-edge and integrated communication and IT solutions that will improve awareness, security, decision-making, and

efficiency in their crucial activities. In order to do this, they plan to foster a culture of high performance and collaboration, draw on their experience as technology-neutral advisors, develop solutions with the needs of the customer in mind, develop systems that are simple to deploy and maintain, provide comprehensive life-cycle management, and provide service, quality, and performance that exceed customer expectations.

Services Offered

July Business Services and DataPath Ltd. jointly offer a range of services to their US business clients:

Customized Plan Design: DataPath uses their knowledge to design an ideal retirement plan centered on goals like employee retention and benefit maximization. DataPath customizes retirement plans to meet each employer's unique requirements.

Efficient Plan Setup: This encompasses all the necessary steps for establishing a new retirement plan or transitioning from a different provider.

Comprehensive Plan Documentation: Experienced ERISA consultants provide comprehensive plan paperwork, which includes Prototype Plan Documents, Volume Submitter Documents, Summary Plan Descriptions, Loan policies, QDRO Procedure, and other crucial documents.

Dedicated Setup & Conversion Assistance: A dedicated setup team provides immediate support for plan setup or conversion, handling tasks such as Enrollment Materials, Meeting Coordination, Paperwork Preparation, Contribution Submission Procedures, Asset Transfer Coordination, Letter Preparation for Previous Provider, and Gathering Information for Takeover.

Expert Plan Administration: A designated account representative and a capable support staff are used to supervise client plans by DataPath's consultants, who have more than ten years of experience in plan administration.

Comprehensive Compliance Support: This includes all services required for plan compliance, such as Eligibility Calculations, Contribution Allocations, Vesting Calculations, Loan Processing & Distribution, and thorough compliance testing, such as Top-Heavy Testing, ADP & ACP Testing, Minimum Coverage Testing, and General Nondiscrimination Testing.

Tax Filing Assistance: Consultants ensure all tax filing requirements are met, delivering signature-ready tax returns including Form 5500, Forms 1099-R and 945, 5330 Form (if applicable), and Form 5310 (for plan termination).

Efficient Recordkeeping: DataPath and July, through their alliance partners, provide automated recordkeeping services, offering online access around the clock, daily account valuations, access for Plan Sponsors, and quarterly Participant Statements.

Participant Services: July, in collaboration with financial institutions, delivers high-quality resources to assist individuals in planning for and securing their financial futures.

Chapter 2: Events and Activities DataPath Undertakes

A 401(k) is an employer-sponsored retirement savings plan that enables employees to save aside and invest a part of their pre-tax income. Only when the money is withdrawn are taxes due.

Participants are those who make contributions to the provident fund of their employer through one or more schemes.

The company's HR Manager placed me in the distribution division during my internship. I'll now go over the different distribution methods and what I need to do for each one. There are several ways to divide the plan participant's account balances:

1. Termination/Retirement: When an employee leaves the company, they can receive their vested account balance after a waiting period.
2. In-service Withdrawal (59.5): after attaining a specific age or after a predetermined number of years of service, taking money out while still working.
3. Loans: Participants can take out loans on a fair basis, with reasonable interest rates and specific conditions.
4. Hardship Withdrawal: a withdrawal carried out in response to a pressing and important financial requirement.
5. Required Minimum Distribution (RMD) (73): Participants who are not major shareholders must start receiving minimum distributions by a certain age. And the age is 73 years or higher.
6. Force-Out: Handling small account balances by distributing them if the participant doesn't take action within a specified period.
7. Corrective Distributions: Addressing excess contributions or failed tests.
8. Plan Termination: If the plan is terminated, all members become instantly vested in their account balance.

For each type of distribution, there are specific rules and procedures to follow.

My Responsibilities:

I spent most of my time working on force out campaigns during my internship at Force Out Distribution, doing things like planning force out campaigns, creating form requests, handling force outs, and sending letters to force outs. I spent a large amount of time keeping a record called "Distribution Force Outs," which was primarily concerned with force out campaigns. I also managed other aspects of force out, such as email communications and processing, which simply needed the plan's name and didn't need a specific log.

To carry out a force out campaign, I followed specific steps. Initially, I opened a task in a new tab, then accessed the account and project. For each task, it was crucial to verify the status of the plan to ensure its activity. Only active plans were eligible for a force out campaign, as opposed to plans undergoing termination or other inactive states.

Next, I examined the plan's product and based on it, determined whether participants with balances below \$5000 or the entire balance should be uploaded. Following this, I utilized the RELIUS id to run an Excel file containing the participant list and cross-checked it with the terminated participants list. Only participants listed in the terminated category were considered.

Subsequently, I checked if any participants had an active project. If so, they were excluded from the Excel file, as uploading individuals with an active project was not feasible. Each record keeper had their own set of distribution form codes, which I meticulously entered into the corresponding Excel file cell, taking into account the specific record keeper.

I then choose the right file on the website to upload the prepared Excel file. If necessary, I developed a project by choosing a specific account name, taking into account members with balances below \$5000 and those whose balances were less than the distribution charge for the plan, and so on. I ended the procedure by checking everything off the checklist and taking the necessary step.

Different steps were taken in force-out circumstances if the scheme was not IRA rollover authorized. I started by looking for a force-out language in the plan contract, especially for involuntary payouts under \$1,000. The terminated members received notification in these circumstances. The kind of notification utilized was influenced by a number of elements, including the participant's balance. Once this was determined, I produced a particular task for action, an

office admin letter form, and an Excel file that was converted to a Word document for address reasons. All pertinent documents were then stored in the task folder, and the assignment was subsequently given to the office administrator. I finished the job ID if necessary by making a project.

In terms of email communications for force out, it was imperative to review the specific plan document's provisions to ensure they aligned with the requirements for sending force out emails. Depending on the circumstances, different procedures were followed for Auto Rollover provisions, such as organizing projects and verifying participant statuses. Additionally, the appropriate templates were selected and sent to the plan sponsor for confirmation. Once confirmation was received, the task was allocated for implementation.

Organization wide activities:

DataPath's operations involve multiple departments working collaboratively to provide retirement benefit plan services. These departments encompass various functions:

- **Accounting Department:** Responsible for financial support, including billing, maintaining inventory records, payroll, and financial statements. They handle account receivables, fund value checks, and quarterly distribution fees.
- **Workflow Department:** Manages the preparation of Form 5500 for each July strategy or plan. Form 5500 is an annual return/report that employee benefit plans subject to ERISA must submit to the Department of Labor.
- **Human Resource Department:** Maintains the work environment, safety, and oversees administrative duties for DataPath. This department is also responsible for recruitment and personnel training.
- **Allocation Department:** Assigns income for planned recipients annually and provides crucial information to other departments.
- **Distribution Department:** Responsible for disbursing retirement funds, handling distribution processing, and ensuring the accurate disbursement of funds to plan participants. This department is vital for managing money-related matters.

- **ERISA or Plan Document Department:** Uses data from the sales and installation departments to create plan papers, making sure that the right information is sent to other departments. They develop and update the plan documents.
- **IT Department:** Manages the organization's network and electronic devices, addressing IT-related issues and providing IT services.
- **New Business or Installation Department:** Assists new plan sponsors with plan design and implementation, incorporating fee structure testing and other setup elements into the TPA system.
- **Department of Outsourcing:** Collaborates with TPAs other than July and handles specific criteria such as plan review, reconciliation, and compliance report preparation.
- **Department of Recordkeeping:** Tracks all plan and investment transactions and maintains a webpage for plan members to check their balances easily.
- **Sales Department:** Prepares paperwork and sells retirement plans to clients, maintaining communication with new clients, financial consultants, and other TPAs.
- **Software Development Department:** Manages software and the corporate database, working on various projects and system improvements.

To enhance retirement plan services, DataPath has developed strategic partnerships with various service providers across these departments. These partnerships include:

- **Mutual Fund Families:** Through partnerships with mutual fund companies, participants in plans can access diverse portfolios with full plan administration and daily valuation recording.
- **Record-Keepers:** With record-keepers including American Funds, MassMutual, PFG, American Trust, John Hancock, and others, DataPath has developed ties. These collaborations ensure that clients receive full retirement plan services by providing access to a variety of investment alternatives and automated plan record-keeping services.

In conclusion, DataPath's numerous divisions and strategic alliances collaborate to offer clients thorough and effective retirement benefit plan services.

Chapter 3: Retirement Plan: Bangladesh and the USA Comparative Study

Bangladesh, like other developing countries, faces challenges in providing support to its aging population. This is a major issue that will become increasingly pressing in the near future.

In Bangladesh, retirement benefits are only available to government personnel. 7.53 lakh persons are eligible for pensions in the current fiscal year, according to official data. But 1.15 crore individuals in total receive financial aid from various safety net programs. This indicates that more than 87% of those in employment do not have access to a pension or gratuity scheme.

Studies on the economics and other aspects of social development that affect older people are frequently disregarded. Bangladesh will, however, have a severe retirement issue in a few years. The talents and capacities of the elderly will deteriorate as retirement approaches. Additionally, pensioners are currently and in the future being significantly impacted by the continuing COVID-19 epidemic.

The retirement system in Bangladesh is not properly regulated by the government. This has led to an unorganized scenario where employee rights are not sufficiently protected. The pension system is outdated, even in the public sector. The retirement benefits that are accessible to employees are frequently unknowledgeable.

There are certain government organizations that are responsible for the welfare of employees. However, they are seemingly failing to fulfill their duties due to a lack of planning and enforcement.

Retirement benefits are provided to employees in the private sector in Bangladesh, although they are neither organized nor governed by the government. Additionally, employers who offer retirement benefits (provident funds) to their staff do not consider any form of discrimination between workers who receive better salary and benefits and those who do not.

In conclusion, Bangladesh must overcome a variety of obstacles to care for its elderly people. To guarantee that retirees may live with dignity and security, the government must take action to solve these issues.

The right of workers to retirement benefits, on the other hand, is a legitimate concern for the US government. The US government provides tax incentives to companies who have employee

retirement plans. US businesses are required to go through a laborious process in order to comply with regulatory requirements regarding their retirement schemes. The largest retirement market in the world, according to Congruent Solutions (2020), is in the US, where \$26 trillion in assets are held in retirement-related accounts including IRAs, annuities, and both private and public defined contribution (DC) and defined benefit (DB) plans. Each of the following industries generates more than \$430 billion in income from these accounts: retirement record-keepers, asset managers, wealth managers, annuity writers, and life insurers (Congruent Solutions, 2020). The American retirement system, which has provided enough retirement resources, has benefited generations of Americans. Households maintain their quality of life even after retirement, according to studies that look at consumption, income, and wealth. The fact that fewer people 65 and older (9%) lived in severe poverty in 2011 compared to those between the ages of 18 and 64 (14%), or people under the age of 18, is one of several indications that retirees are in better health than other segments of the population. (18%) (2012) Organization for Investment Companies.

The Bangladeshi pension system is considerably unlike from the retirement system in the US. The challenge is to close the gap so that Bangladesh's populace may gain from an improved retirement system. This paper examines the disparities and suggests some potential fixes.

Research Purposes

The main objective of this study is to make it possible to fulfill the prerequisites for the bachelor's degree. This study's primary objective is to compare the US retirement provident funds to Bangladesh's pension system and learn more about them in order to strengthen this country's retirement benefits sector. As a result, the following broad objectives would be:

- To get knowledge of Bangladesh's Retirement Plan system and the USA Retirement Provident Fund.
- To learn what distinguishes these two retirements plans from one another.
- Give advice on whether Bangladesh should emulate the USA's RPF sector and how Bangladesh's retirement policies should be improved.

Research Questions

The following are the study's research questions:

- How is the retirement plan for workers in every sector run in the USA?
- What processes does the United States Retirement Provident Fund adhere to?
- How is Bangladesh's retirement industry faring?
- How unlike are Bangladesh's and the United States' retirement systems?
- How pleased are workers with Bangladesh's present retirement system?
- How can the government of Bangladesh make its retirement policy better?

Literature Review

Considering that the average lifespan in Bangladesh is presently about 70 years, the dependency ratio is higher and the potential support ratio is lower. If they don't have enough savings or don't engage in contributing pension schemes, the majority of older citizens will be heavily dependent on society (Rashid, 2019). There isn't a formal national pension system in place in Bangladesh yet, with the exception of government employment (civilian and military). A little more than 1.4 million individuals work for the government, which represents only 5% of all employees in the public and private sectors. All government workers are entitled to a retirement pension under the Pension Act of 1871 (Khan & Howladar, 2021). 38-year-old mid-level executive who gave an interview to the Daily Star stated, "Both my father and father-in-law are former government officials. I can see how stress-free their lives are because to the pension. By Sarker in 2021 It suggests that those working in the private sector are anxious about the future. It comes as a result of Bangladesh's retirement system's unstructured foundation. The challenge is determining if this issue is given low priority at the policy level and whether the rules that are already in place are being properly followed (Ferdousi, 2020). People are living longer than ever because to the growing awareness of maintaining a healthy lifestyle, the development of modern medications, and cutting-edge surgical procedures. Unfortunately, many of the seniors who live longer than average do not have enough funds to support themselves in their later years, much as in Bangladesh. Many American seniors are in the same financial straits as their Bangladeshi counterparts. Many Americans are compelled to continue working over the full social security retirement age of 66 due to their dire savings position. Unfortunately, this choice is not available to public sector workers in Bangladesh (Dewan, 2019).

The US Retirement Provident Fund's history

American firms provide a variety of advantages to their employees. In proportion to benefits, the overall cost of operating a company with employees is rising. The employer pays the entire cost of additional perks, such as paid vacation days. Frequently, the expense of providing and obtaining benefits for employees is divided between the employer and the employee. On September 2, 1974, Congress passed the "Employee Retirement Income Security Act of 1974" (ERISA). A sophisticated set of rules were developed for the benefit of the labor, particularly seniors. According to the American Society of Pension Professionals & Actuaries (2010), the "ERISA" act from 1974 is recognized as the foundation of the law and regulation controlling all different kinds of employee benefit plans. In the US, retirement plans come in two different varieties:

1. The Defined Benefit Plan - The benefit is typically expressed as an annuity in defined benefit plans, which is a series of payments that are typically equal and are delivered on a regular basis, such monthly or yearly. Payments normally begin at age 65, which is generally accepted as the traditional retirement age. A life annuity is one that pays out throughout the course of the participant's lifetime. based on the American Society of Pension Professionals & Actuaries's 2010 report.

2. The Defined Contributions Plan - Each participant may have a separate account under a defined contribution plan, sometimes called an individual account plan. In line with this plan, a certain sum of money is deposited into the participant's account; for example, if a participant contributes 3% of his total pay, the plan may provide that individual a different proportion, a predetermined sum of money (\$100), or another percentage in accordance with that contribution. 2010 report from the American Society of Pension Professionals & Actuaries.

There are many types of defined contribution programs as well:

- 401(k) Plan
- 403(b) Plan
- Profit-Sharing and 401(k) Plan
- Safe Harbor 401(k) Plan
- Money Purchase.
- Other types of plans having tax-advantaged arrangements.

In the allocation and contribution parts of a defined contribution plan, it is specified how and how much employees can contribute when they are eligible, as well as how much can be allotted to each and every employee.

Terms of the Basic Plan Document

Compensation

A plan agreement will often refer to the compensation term in the contribution or allocation clauses. For benefit and contribution purposes, the whole amount of a participant's compensation is often regarded as compensation. Plan sponsors, however, are allowed to include or remove specific parts of compensation as long as the final definition of compensation does not unjustly favor workers who are paid more. Sponsors with more discretion may set a ceiling on the qualifying income the plan would use to determine payouts (American Society of Pension Professionals & Actuaries, 2010).

Who Are the Eligible Employees?

It is essential to establish who is and is not qualified to participate in a plan. It is vital to understand what an eligible employee is in order to locate them. All employees of an organization typically have the right to participate in a plan, with the exception of those who are nonresidents or members of a union. There are still a few more criteria to satisfy before you may contribute to the plan and get employer allocations. Employees must fulfill eligibility standards set out in the plan statement for the applicable plan in order to receive benefits.

Fiscal Year and Plan Year

Either the fiscal year or the plan year is followed by a plan, according to the plan document. As an example, some plans utilize the calendar year (from January 1 to December 31) as their fiscal year. Other plans use a different plan year. The calendar year may also be chosen by businesses as the pension plan year.

Normal Retirement Age

Although the usual retirement age and date are frequently mentioned separately in plan agreements, they are also combined. Although some plan contracts specify it as the later of that age or the member's fifth work anniversary, the NRA states that a participant will achieve his or her usual age of retirement when they are 65 (American Society of Pension Professionals & Actuaries, 2010).

Hours of Service

Because all plans must abide by the "Internal Revenue Code and the Department of Labor," it is imperative to confirm each participant's hours of service. These hours-of-service cover all of the employee's paid work time, including any type of leave. This benchmark is quite dependable. A lot of very important aspects, including as eligibility, vesting, and other things, are dependent on a participant's current year or past year's hours of service, according to the American Society of Pension Professionals & Actuaries (2010).

Years of Service

The twelve-month period during which an employee worked the required 1000 hours is used to calculate their years of service. This is needed to, among other things, calculate vesting and decide whether the participant is qualified for the contribution allocation.

Leave of Absence

The twelve-month period during which an employee worked the required 1000 hours is used to calculate their years of service. In order to calculate vesting and assess the participant's qualification for the contribution allocation, besides other things, this is necessary. A break in service is defined by the "Internal Revenue Code" as a stretch of twelve months in a row without working within a plan year and without accruing more than 500 hours. In basic terms, a leave of absence is a year without working. It is defined as such in the plan contract and has an impact on eligibility and vesting calculations (American Society of Pension Professionals & Actuaries, 2010).er, stuff.

High-Paid Workers

Employees who receive high compensation are individuals who own stock in the company or have reached their annual salary cap:

- Over 5% of the company is owned by its workers.
- The owners' family (parents, husband, and kids).
- Employees who received compensation totaling more than \$130,000 the year prior (ASPPA, 2010).

Top-Paid Group Election

This group includes the top 20% of the highest compensated employees. The highest paid group is not subject to the 5% ownership barrier; the highest paid group is a matter for the plan agreement.

Employees that are not well compensated

All employees who are not HCEs are considered Non-Highly Compensated Employees (NHCE).

Requirement of Eligibility

Age 21, a year of service, and a dual or semi-annual admission frequency are the minimum prerequisites for eligibility. Different plans have different requirements. There may be a single set of admission requirements for each sort of contribution or several ones for each.

Entry Date

In a plan's allocation process, figuring out a participant's registration date is the most crucial stage. Since the entrance date is the first day the employee may start contributing to the plan and the employer will match those payments, the employee is included in all tests commencing on that date.

Vesting

The vested amount is the sum that members are allowed to take with them upon retirement or termination of employment. Several laws and regulations apply to the vesting. Until they reach

full vesting, a participant must serve for a full year, rack up 1000 hours, and keep doing so. Employee funds (Deferral, Roth, and Rollover) are always fully vested under all situations, despite the fact that employer funds are subject to the same vesting rules as employee funds. Cliff and graded investment are the two types. The most often used vesting rules are the 6-year graded and 2-year cliff rules. The operation of L.E. 6 year-graded vesting is as follows:

1st year – 0%

2nd year – 20%

3rd year – 40%

4th year – 60%

5th year – 80%

6th year – 100% (ASSPA, 2010).

Testing

Testing is the most crucial component for US retirement programs. The retirement plans of governmental organizations must pass all requirements in order to receive tax benefits. which comprise:

- ADP test
- ACP test
- Top Heavy Test
- Ratio Percentage Test
- IRC Coverage Test
- Gateway test, etc.
- APBT test for New Com

Not every proposal needs to pass every test. To determine whether the test results are accurate or not, the tests must first be calculated in MS Excel before being run on the program.

Allocation

The task that TPAs perform annually on behalf of the retirement plan holder customer is allocation. The Allocation includes every contribution, distribution, test, and other activity. In addition to calculations, it also entails gathering and reviewing reports.

Bangladesh Retirement System's History

In 1972, the Bangladeshi government passed its first set of pension laws. The average of the preceding 36 months was used to calculate the pension at first. Later, in 1974, pensions were given according to a specified proportion of the final salary received as opposed to the average pay from the preceding year. The maximum pension was set at 60% of the prior payout. In 1977, new pension rules were introduced, the family pension and gratuity were updated. Under these guidelines, the maximum pension was fixed at 80% of the base wage. In 1994, the government finally streamlined the laws and regulations governing the granting of pensions for public employees (Alam, 2018).

Superannuation Pension: Minimum service requirements 25 years and 90% of the preceding month's salary

There are different types of pensions:

- Retiring (Forceful) pension, Optional/Voluntary Pension
- Invalid Pension
- Family Pension
- Gratuity and Commutation
- Benevolent Fund-
- Group Insurance
- General Provident Fund
- Medical Allowance, Festival Allowance
- Lump Grant/ Leave encashment (Alam, 2018)

Only government personnel are eligible for the aforementioned pension and retirement benefits, which are likewise poorly managed and controlled. On the other hand, the government has not established any rules for those working in the private sector.

Comparison of Bangladesh's Provident Fund/Pension with the Retirement Provident Fund of the United States:

Retirement Plan in the US	Retirement Plan in Bangladesh
Mandatory in both the public and private sectors.	Mainly government employees are eligible for the pension, while employees in the private sector must rely on the rules of their employers.
Strictly monitored by many governmental agencies, like the IRS, ASPA, etc.	Public employees' pensions are the only ones that are managed by the government.
A different Third-Party Administrator (TPA) is in charge of running a company's retirement programs.	The government of Bangladesh's Ministry of Finance is in charge of employee pensions. The proper organizations are in charge of managing the provident fund for workers in the private sector.
Every plan must pass specific non-discriminatory standards in order to prevent discrimination against employees who are not well rewarded.	There are no such things as non-discriminatory tests.
A participant in the plan is aware of the whereabouts of his or her funds, the manner in which they are invested, and the current balance of their account. The IRS also states that employers must deposit the money in the RK within 3 or 7 days.	Employees are completely unaware of what happens to the money that is taken from their pay. They only receive the funds when they retire or quit their jobs after a specified amount of time.
Participants are free to postpone whatever amount they like, including their whole contribution.	Each month, employees are required to put aside a certain portion of their pay.

<p>Employers make contributions to each member using a variety of strategies, including as profit sharing and matching. If the plan is Safe Harbor Non-Elective, participants/employees may still receive employer contributions even if they do not contribute for a plan year. Moreover, neither the employer nor the employee may contribute the same amount.</p>	<p>Every month, the company and employee both contributed the same amount of money.</p>
<p>Organizations must let workers to take distributions, or to withdraw their funds, when they are retiring or changing employment. There is no possibility of not receiving the money because it is governed by the government.</p>	<p>Both in the public and commercial sectors, Bangladeshi workers frequently have financial difficulties when they decide to retire.</p>
<p>Employees who change jobs have two options: either remove all of their funds and roll them over to their new company, where they may continue their retirement plans, or.</p>	<p>Employees are unable to continue their accounts and take their money along to new employment.</p>

Survey Data Analysis

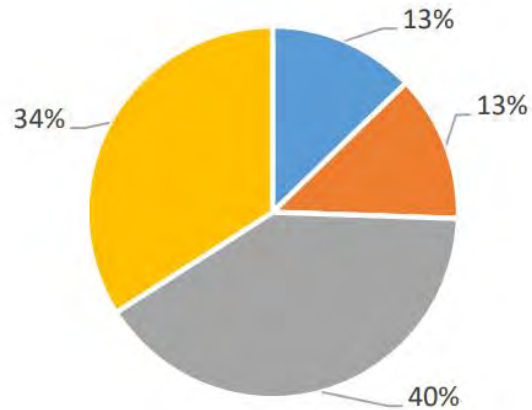
Employees in the private sector were asked to participate in a survey to learn more about the retirement benefits they currently receive from their employers, their level of security with those benefits, and their ideas for improving Bangladesh's retirement system in comparison to the Retirement Provident Fund of the United States. The survey's sample size was 47 people.

The following is a discussion of the survey's findings:

1. Years of Service in the current organizations

Years of Service

■ Less than a year ■ 1-2 years ■ 2-5 Years ■ More than 5 years

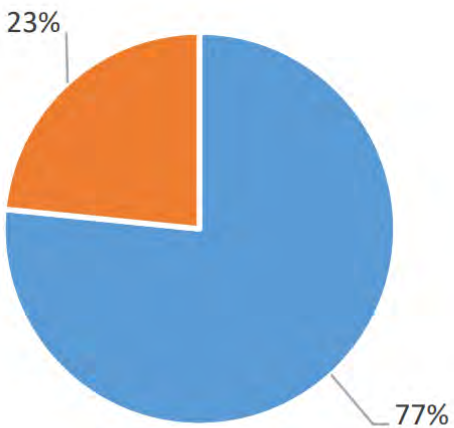


16 of the 47 individuals in the sample had worked for a private company for more than 5 years, making up 19 of the group with 2 to 5 years of experience. The remaining employees have been working for between one and two years and less.

Does the Company Offer Retirement Benefits?

Retirement Benefits Provided by Organizations

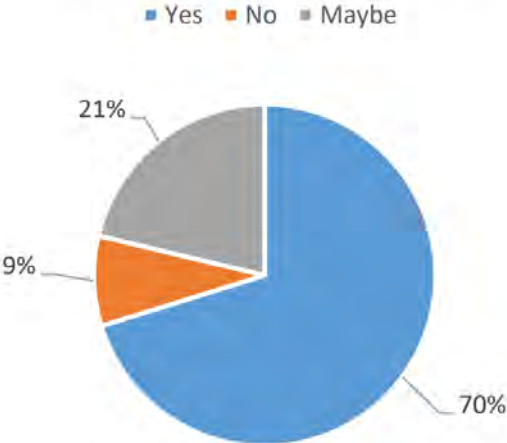
■ Yes ■ No



Many organizations don't have provident fund facilities, despite the fact that the majority of private organizations have.

3. The involvement of employers and organizations

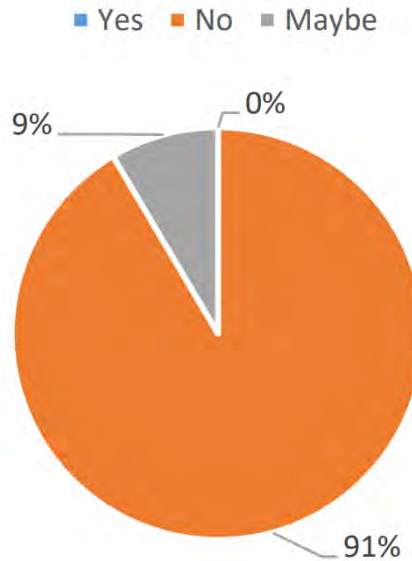
Employers/Organizations' Contribution



4. Financial Transparency

based on the survey data that were collected. The majority of private sector workers are unaware of what happens to the money withheld from their pay. They have no idea where their employers invest their money, if they even do so, or whether they just spend their hard-earned money for other purposes.

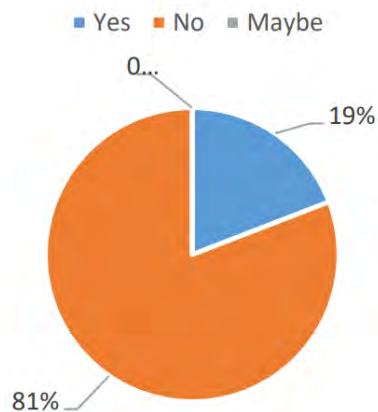
Transparency about the Money



5. Satisfaction with Bangladesh's Present Retirement System

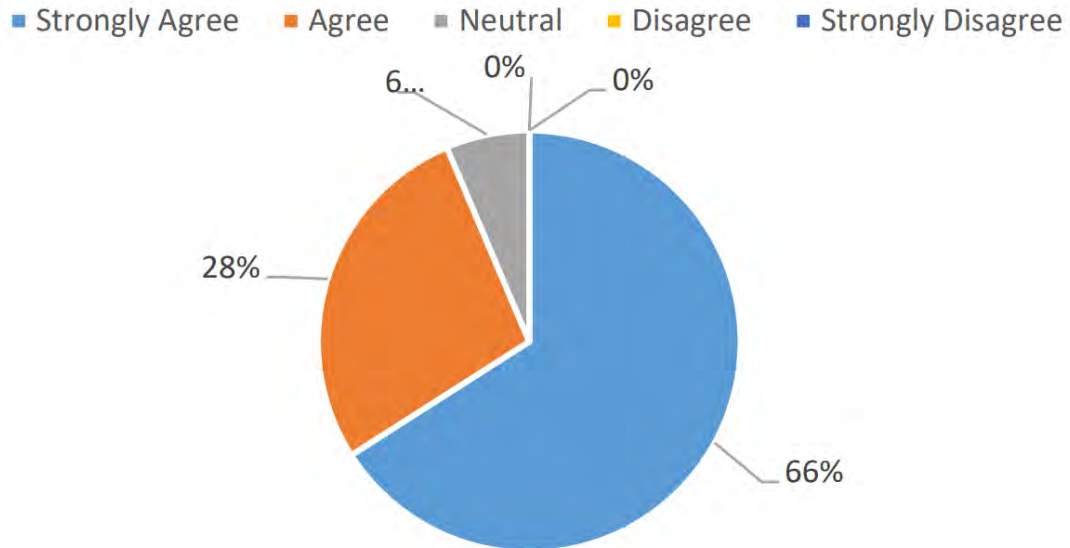
In this instance, 9 participants are content with Bangladesh's present provident fund system, while the other participants are not. It demonstrates that there is room for improvement in this area.

Satisfaction of the Current Retirement System of Bangladesh



6. Government Intervention in the Private Sector

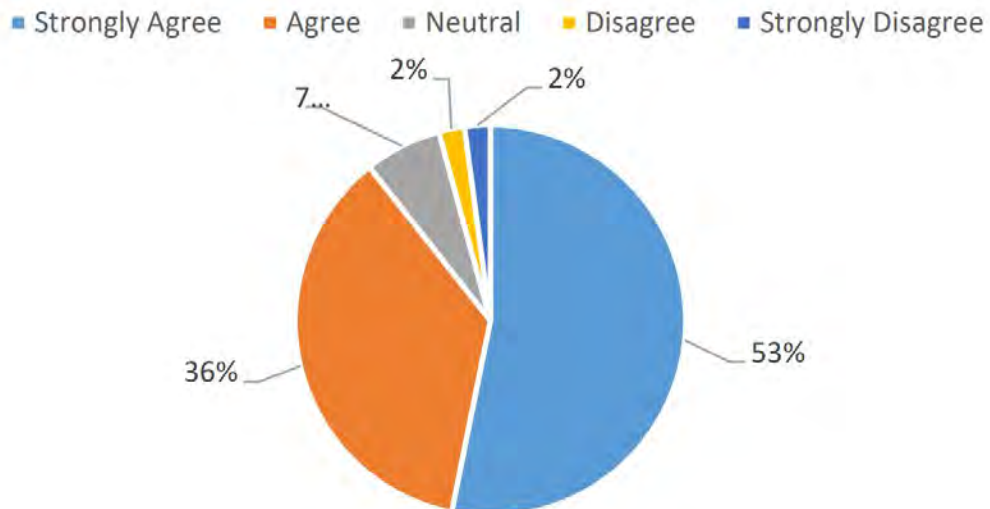
Government Intervention in Private Sector



The majority of private sector workers believe that the government should be in charge of retirement benefits as part of the government workers' pension.

7. Thoughts on Retirement Plan like the USA

Thoughts on Retirement Plan like the USA



Findings

The following conclusions are the result of the insightful research:

- There are several alternatives available for US retirement programs.
- Bangladesh's retirement program lacks organization.
- The elderly can rely on their retirement plan as their main source of support, and so can their family.
- Under the "Public Servants' Rules," only government employees in Bangladesh are eligible for pension benefits. The amenities are also closed to employees in the private sector, which contributes to their financial worries.
- The provident fund for the private sector in Bangladesh is not being placed in a successful investment.
- All retirement plan activities for all various kinds of businesses are supervised and controlled by the US government. For its residents, this ensures a just and secure future.

Suggestions

My stay at Data Path Ltd. allowed me to develop fresh viewpoints on a number of previously unconsidered subjects. Even while financial difficulties are rather common in our country, they are particularly severe for families that have no finances for their older family despite working their entire lives. By comparing the retirement systems in Bangladesh and the US, I may be able to provide the following advice:

- Similar to how it may for government employees, Bangladesh's government can assist those working in the private sector in obtaining retirement benefits.
- If private companies in Bangladesh provide employee retirement plans like to those in the US, the government may be able to exempt them from paying taxes.
- The government should strictly control the retirement system. Private businesses that already provide retirement benefits ought to be more forthcoming about the funds they are levying against their staff members and how they are being spent.
- The provident fund's funds should be handled with utmost prudence and invested in the stock market. The Bangladeshi government may considerably improve everyone's lives

and help workers maximize their pension amounts if it adopts new regulations for the private sector's retirement system. This would pave the way for a better future for everybody.

- Different tests should be used for retirement programs so that employees with modest salaries are not treated unfairly.

Conclusion

After gaining four months of first-hand experience working in the American retirement sector and researching the Bangladeshi pension system, it is clear that Bangladesh can learn a lot from the Retirement Provident Fund of the US and adapt to it. Instead of having to follow all of the laws and regulations that apply to the retirement sector in the United States, we may draw on the knowledge and experience of the Americans to design a retirement system of our own that would be beneficial to our people.

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