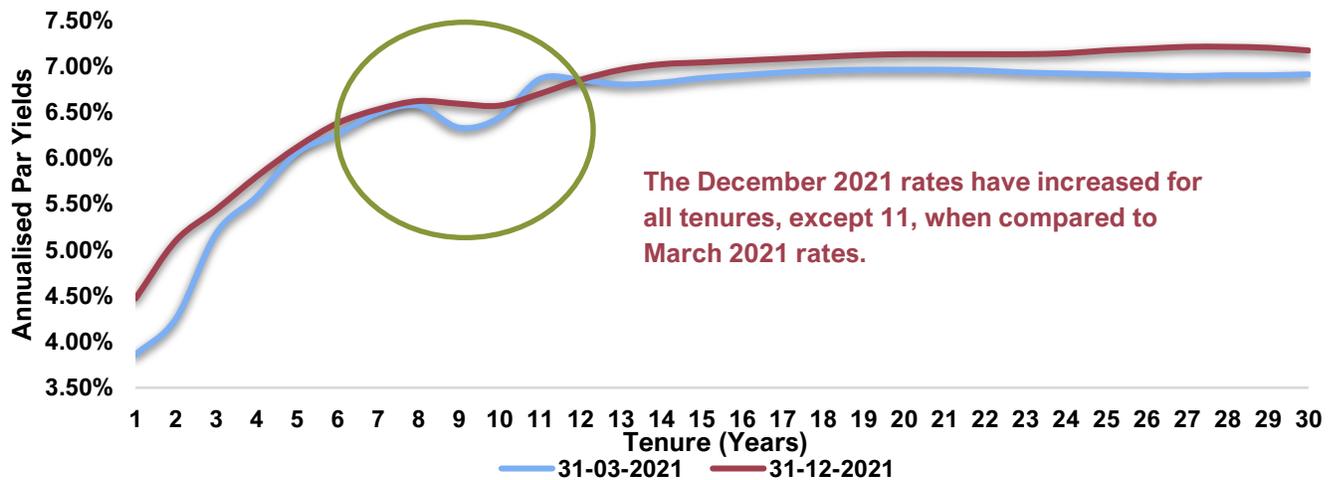


KAP's Interest Rate Updates for Employee Benefits as on 31 December 2021

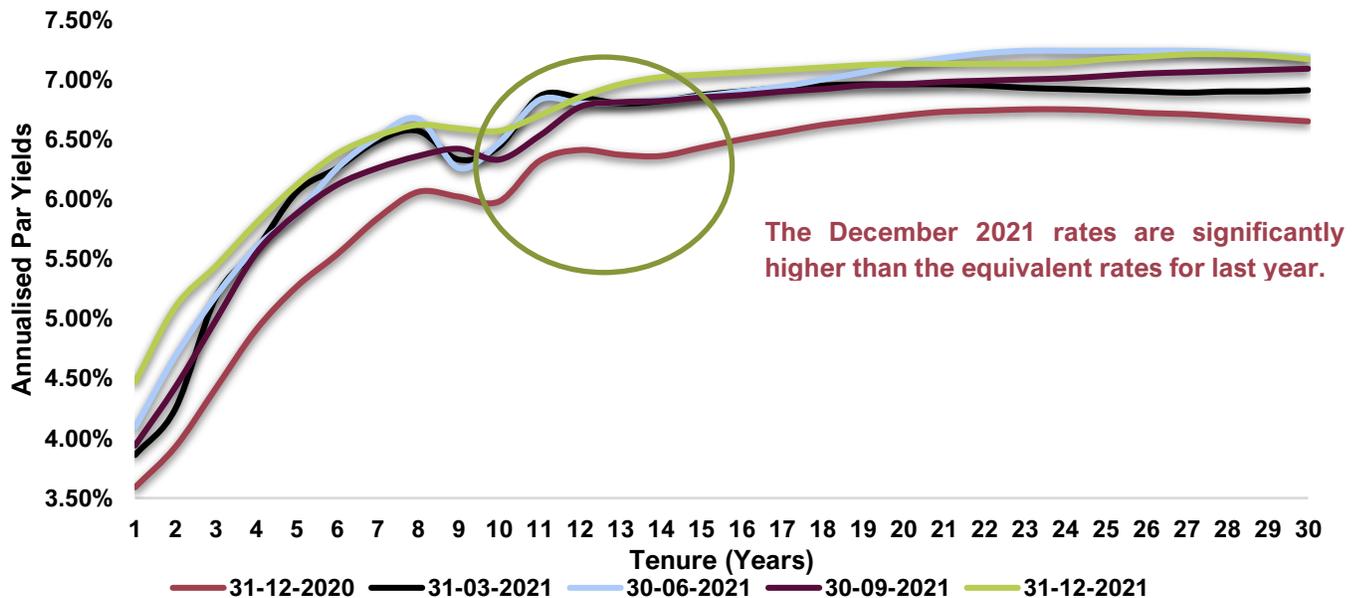
Introduction:

Despite the volatility in Annualised Par Yields on Government Securities (G-Sec)/Discount Rates due to the pandemic, rates have increased in Q3 of FY 2021-2022 compared to the past few months.

G. Sec Rates as at 31-12-2021 vs. 31-03-2021



Annualised Par Yields on G. Secs



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

G-Sec Rates movements between 31-12-2021 and 31-12-2020:

Tenure	Yield 31-12-2021	Yield 30-09-2021	Yield 30-06-2021	Yield 31-03-2021	Yield 31-12-2020
1	4.47%	3.94%	4.09%	3.86%	3.59%
2	5.10%	4.43%	4.69%	4.25%	3.93%
3	5.44%	4.99%	5.19%	5.18%	4.42%
4	5.80%	5.55%	5.60%	5.58%	4.91%
5	6.12%	5.88%	5.88%	6.06%	5.27%
6	6.38%	6.12%	6.26%	6.26%	5.54%
7	6.53%	6.26%	6.52%	6.49%	5.84%
8	6.62%	6.36%	6.67%	6.57%	6.06%
9	6.59%	6.42%	6.26%	6.33%	6.02%
10	6.57%	6.33%	6.47%	6.44%	5.98%
11	6.70%	6.53%	6.83%	6.86%	6.32%
12	6.85%	6.77%	6.80%	6.85%	6.41%
13	6.96%	6.81%	6.81%	6.80%	6.37%
14	7.02%	6.82%	6.83%	6.82%	6.36%
15	7.04%	6.85%	6.86%	6.87%	6.43%
16	7.06%	6.87%	6.90%	6.90%	6.50%
17	7.08%	6.90%	6.94%	6.93%	6.56%
18	7.10%	6.92%	7.00%	6.95%	6.62%
19	7.12%	6.95%	7.06%	6.96%	6.66%
20	7.13%	6.96%	7.13%	6.96%	6.70%
21	7.13%	6.98%	7.18%	6.96%	6.73%
22	7.13%	6.99%	7.22%	6.95%	6.74%
23	7.13%	7.00%	7.24%	6.93%	6.75%
24	7.14%	7.01%	7.24%	6.92%	6.75%
25	7.17%	7.03%	7.24%	6.91%	6.74%
26	7.19%	7.05%	7.24%	6.90%	6.72%
27	7.21%	7.06%	7.24%	6.89%	6.71%
28	7.21%	7.07%	7.23%	6.90%	6.69%
29	7.20%	7.08%	7.21%	6.90%	6.67%
30	7.17%	7.09%	7.19%	6.91%	6.65%

Comments & Insights:



G-sec rates are showing an increasing trend on account of the economy and businesses having gained some momentum while steadily converging to normalcy.



Only the rate for the tenure of 11 years as on 31-12-2021 has decreased when compared to 31-03-2021 Rates.



For tenures showing increasing 31st December 2021 G-sec rates when compared to 31st March 2021 rates, an Actuarial Gain due to change in Financial Assumptions will be seen if all other Assumptions remain the same as the comparative valuation as on 31st March 2021.



The G-sec rates have increased in the December quarter compared to the September quarter. However, with cases exponentially rising around the globe due to the Omicron variant, it would be interesting to see if the G-sec rates continue to show this upward trend.

Some Important Links:

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

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

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

Interest Rate Updates: -

September 2021 - <https://www.ka-pandit.com/assets/newsletter/interest-rates-updates-september-2021.pdf>

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

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

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

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

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