

Second Retirement Planning Workshop



Venue: Tarayana Centre, Thimphu

Date: 13 to 14 September, 2017

Total Participants: 53

Resource Persons for the workshop:

1. Khenpo Phuntsok Tashi, Director, National Museum of Bhutan, Paro
2. Dr. Chencho Dorji, JDWNRH
3. Som Bdr. Darjee, MoH
4. Sonam Wangdi, Former Chief HRO, MoEA
5. Rinchen Namgay, Former Deputy Chief Program Officer, MoH
6. Tshering Dorji, MoF
7. Kinzang Dorji, MoF
8. Deki Yangzom, NPPF
9. Kesang Wangmo, RICBL

First Day

1. Emotional and Psychological Impact of superannuation-JDWRH

Dr. Chencho started with the fact that civil servants are so focused on their office work while they are in service. Their identity revolves around their work and their job titles. Most do not have an identity beyond work. Even friends are mostly from work. Thus when they retire, they tend to experience emotional and psychological impact due to the following:

1. Loss of self-identity or status
2. No proper planning in terms finance and housing
3. Ill-prepared about old-age diseases
4. Detachment from children/relatives/friends

As compared to the OC, SSC and PMC position category, ESC officials face a tougher time to assimilate back into society after superannuation. While in service, ESC officials especially the Executives enjoy a lot of perks due to their position which make their tasks, be it personal or professional, easily accomplished. Once they retire, they experience difficulty as they now do not have that status to get things done easily.

Some of the ways to stay intact with society so that civil servants can have good psychological well-being after superannuation are as follows:

1. Provide their services part-time and as a consultant (share their experiences)
2. Learn new skills, try their skills and experience in the private business
3. Volunteer in their village/locality where they retire (Social works)
4. Build up social relationship: Often civil servants are so focused on office works, they forget to interact with the people outside the office. In the end, when they retire, they find themselves isolated, facing difficulties and challenges as they have few friends to talk to and share problems they are faced with.

Mid life crisis/ Empty Nest Syndrome

When men and women reach around 50 years of age, they undergo different experiences. Men undergo mid-life crisis and women experience empty nest syndrome. When men undergo mid-life crisis, they usually have affairs. Empty nest syndrome is a feeling of loneliness or sadness that occurs among parents after children grow up and leave home. Empty nest syndrome is not a clinical diagnosis, but rather describes a transition period in which many people experience feelings of loneliness or loss. While many parents

encourage their children to become independent adults, the experience of sending children off becomes a painful one.

Causes:

1. The quality of the parent-child relationship has important consequences for both when the child leaves the household.
 - If the parents do not have the time to love, care for and support their children when it is most needed by the children, the children will not show any concern about their parents' life when they leave.
2. No friends and relatives to talk about the problems when you reach mid-life.
 - When someone works as a civil servant, they forget to provide time for relatives and friends. Thus when they retire, their life becomes isolated since they don't have anyone to talk to about the problems.

Treatment

1. Discuss feelings with their general practitioner. It will benefit to understand and manage the civil servant's feelings, mitigating symptoms of depression that can arise during this period.
2. Social support can be helpful during times of stress and loneliness, and self-care should be made a priority during difficult transitions. There are practical things one can do to prepare for or manage the transition of children leaving the home. For example, time and energy that was directed toward the child can now be spent on different areas of life. This might be a time to explore or return to hobbies, leisure activities, or other career pursuits.
3. Preparing for an empty nest while children are still living with the civil servant is important. Develop friendships, hobbies, career, and educational opportunities. Make plans with the family while everyone is still under the same roof, such as family vacations, long talks, and taking time off from work to make special memories. Parents gain the greatest psychological benefit from the transition to an empty nest when they have developed and maintain good relations with their children.

2. Old Age Diseases-MoH

Most of the people when they reach old age are seen to spend most of their savings on health. This makes it more difficult for them to move on in their life. Thus, if they can care for their health from the start, they shall have fewer risks to diseases which will lead for a healthy retired life.

The diseases that elderly people are most prone to are

- Heart Disease,
- Cancer,
- Diabetes,
- Depression,
- Anemia,
- Obesity,
- Osteoporosis,
- High Blood Pressure and
- Dementia

A sedentary lifestyle contributes to many chronic diseases. Thus some ways for the civil servant to take care during old age to prevent getting the above mentioned diseases, are as follows:

1. Safety and security: They should wear clean clothes, eat hygienic food and keep the house clean
2. Proper sleep: When somebody reaches old age, they usually have sleeping disorder. Sleep changes with age. Older people are less efficient sleepers and tend to have less sleep than they did when they were younger. Poor quality of sleep then leads to confusion, difficulty concentrating, and poor performance while performing tasks. The biggest sleep problem in older people is a feeling of not getting enough sleep or not being well rested.
3. Annual health check-ups: The risk to chronic diseases increases in old age. To make sure that one's health is properly maintained, annual health checkup is very important. The civil servant can keep themselves updated on their health issues.
4. Healthy Eating Habits(Balanced diet)
 - Eating more fruits and vegetables
 - Intake of less salt and low fat foods
5. Exercise
 - Do things one enjoys or try something new: Walk, gardening, yoga, dance, etc.
 - Make a daily routine for a walk or for outdoor gyms

3. NPPF-How to calculate Benefits and Different types Schemes provided

Upon superannuation, the most important thing that comes to the mind is housing, a shelter to live in. And many do not have any idea on the different schemes that NPPF has undertaken to address this issue:

1. Housing Scheme

- ❖ Members of the National Pension and Provident Fund (NPPF) have an option to own a home anywhere in the country after they retire. The scheme is to encourage public

servants to own homes (pha-chim or ma chim) and prevent them being left without a proper dwelling at the end of their career.

- Civil servants, corporate employees and armed forces personnel could opt for the member home loan scheme of NPPF that would provide loan with design and technical support.
- One should however have a plot of land. The loan is strictly for residential buildings.
- NPPF has built two model homes, a split duplex and a bungalow, at Debsi, Thimphu if civil servants want to have a look and build the same design.
- After constructing a Bangalow, NPPF has confirmed that the minimum cost incurred is 24 lakhs, considering that the person has his/her own land.
- One can build proper homes on a budget as modest as between Nu 2 million and Nu 3 million.
- NPPF will provide design, which includes architectural, structural and electrical drawings, cost estimation, approval process, and recommendations of materials.
- The clients have the option of self-construction or NPPF recommending competent builders.
- The loan is for a period of 20 years at an annual interest of 11 percent.
- Repayment through EMI from monthly salary and by mortgaging the land and home proposed to be built.
- It is better to take the loan and build your house than pay rent for about 35 years, which is the usual service period of most civil servants.

Q: Does it mean that the total expenses of 24 lakhs incurred to build the proper house in urban is going to incur the same in rural? Will the quality be same for both?

Answer: Yes. The total expenses of 24 Lakhs will be similar. However, the quality of the house depends upon the location. For example: the quality of the house in Thimphu with 24 Lakhs will be poor since the expenditure will be more in terms of labour and materials. However, the quality of the house will be better if the 24 lakhs is used to build a house away from the city.

Q: Will it be possible to transfer member's loan to any family members?

Answer: Yes, the member can transfer the loan to their spouse or children who are members of the fund.

Pension

The documents required by the NPPF to open the pension account and release the pension immediately to the retired civil servants are:

1. Forwarding letter from the agency
2. Pension and PF claim form II duly filled
3. Relieving/separation order
4. Tax Clearance Certificate
5. Audit Clearance Certificate
6. CID copy of the member and spouse
7. Last pay certificate
8. Marriage certificate (if married)
9. Death certificate and children health cards
10. Two passport size photographs

(If one of the above is not submitted, the benefits are delayed.)

NPPF has started *the Royal Society for Senior Citizens (RSSC)*, a Non-Governmental Organization (Corporate Social Responsibility) formed under the Royal Command in January, 2011 for the objectives:

1. To inspire senior citizens to remain meaningfully engaged;
2. Harness the experience and knowledge of senior citizens for the benefit of society;
and
3. Provide support and assistance to the poor and old needy people

Contribution:

- | | |
|----------------------------|------------------------------|
| a. Annual registration fee | : Nu. 300 – one time payment |
| b. Membership fee | : Nu. 300 annually |
| c. Welfare scheme | : Nu. 1200 annually |

Benefits:

- a. Physical and moral support during the time of need, distress and grief;
- b. Separate health counters for senior citizens;
- c. Welfare scheme: benefit ranges from Nu. 10,000 to Nu. 45,000 for member and half to the spouse

Pension Calculation

There are two types of calculations:

1. Normal pension

Pension calculation on normal retirement age (NRA) of 56, 58 and 60 years as per BCSR 2012 is called Normal Pension.

- $(40\% * \text{Last Basic Pay} * \text{No. of years of service}) / 30$

- Example: Last Basic Pay = 20,000

No. of years of service = 25

Monthly pension = Nu. 6,667/- $[(40\% * 20000 * 25) / 30]$

2. Early Retirement Pension/Early Pension

To be eligible for early pension, a person should be 51 years of age. The age is calculated according to the date of birth which is recorded with RCSC.

If someone who has served in Civil Service for 50 years 6 months wants to avail early pension, he will not be eligible for Early Retirement Pension since 4 months is still not completed. The person has to wait 4 months to avail the benefit.

To calculate the pension, the same formula is used as above.

(Note: Monthly pension increment is given in line with CPI up to 5% p.a.)

However, the Early Pension for a person will be calculated on the basis of reduction factor. For example: **Early pension reduction factor**

0.5% per month

If age = 53, monthly pension = Nu. 5,467/-

4. Understanding Retirement Benefit Scheme and Calculating Retirement Benefits-MoF

To avail provident fund and taxes after retirement, a civil servant takes almost a month to get his/her benefits:

- The tax registration can be done from all the regional offices
- To collect tax clearance certificate, the individual has to go to their respective (regional) office personally which is a lengthy process and causes a delay in receiving retirement benefits. Department of Revenue and Customs, MoF is

currently developing a digital system wherein the individual doesn't need to visit their respective office which will ultimately save time.

The retirement benefits available for the civil servants after their superannuation are:

1. Gratuity
2. Other benefits
 - a. Travel Allowance (One month's basic pay)
 - b. Transfer Grant (One month's basic pay)
 - c. Transport charges of Personal Effects
 - d. Earned leave balance
 - e. Group Insurance Scheme(GIS) & Provident Fund
3. Early Retirement Scheme

Gratuity:

- Gratuity amount payable = Last basic pay x No. of completed years of service
- Service of six months and above is considered as a complete year for calculating gratuity
- The personal pay if any is clubbed with the basic pay for calculation of retirement benefit
- The maximum amount payable for gratuity is Nu.1,500,000.

Travel allowance:

A civil servant who leaves the service for any reason, other than termination, shall be entitled to Travel Allowance of an amount equal to one-month's last basic pay.

Transfer Grant:

A civil servant who leaves services for a reason other than termination shall be entitled to the transfer grant of one-month basic pay.

Travel

A civil servant, who leaves service for a reason other than termination, shall be entitled to receive transport of personal effect.

Earned leave

A civil servant leaving the service for any reasons shall be permitted to encash the entire earned leave at credit (subject to a maximum of 90 days)

Refund of Group Insurance Scheme (GIS) and Provident Fund

- I. For refund of GIS, the Agency (HR Division/Services) will issue a sanction for payment to the RICBL along with a copy of Last Pay Certificate and relieving order of a civil servant
- II. For refund of provident fund and pension, the Agency (HR Division/Services) will write to the NPPF along with a copy of relieving order, last pay certificate, Tax and Audit Clearance , CID copy of the civil servant

Early Retirement Scheme (ERS)

▶ Eligibility for ERS (Four conditions)

1. 51 years and above
 - i. Is below 51 years of age and meet the following conditions
 - ▶ Served for a minimum of 20 years
 - ▶ Does not possess a minimum Bachelor Degree
 - ▶ Has no obligations to the Government
 - ii. Is on the 'Waiting List' for Whom the RCSC has not been able to appropriate position
 - iii. Has served a minimum of 8 years at the highest position Level as specified in the Position Directory

Disqualification for ERS

A Civil Servant shall not be eligible for ERS, if:

1. He has impending disciplinary or corruption case(s); and
2. His service is determined to be required by the Government based on scarcity of such skills and expertise

The ERS benefits is paid as one-time lump sum compensation:

1. For age 51 and above, 3 month's basic salary for every remaining year of service subject to a maximum of 18 month's salary
2. For age below 51, two month's salary for every remaining year of service subject to a maximum of 18 month's salary
3. Six months or more is considered a full year of service.

(If a civil servant has served for 50 years and 6 months, then it shall be considered as full year of service(51) and get the benefit.)

Retirement Sanction Order by the Agency (HRD)

- Approval by the RCSC or HR Committee of the Agency for ERS upon submission of resignation by the civil servant considering one month notice
- Produce Audit, Tax Clearance Certificates and no outstanding advances certificates from Financial Institutions to which the Agency was the guarantor.
- There is a proper handing/taking over of the charge before a civil servant is relieved on retirement, including Government property and records
- The service of a civil servant claiming the benefits shall be verified with respect to the service book and certified in the prescribed form by designated authority.

5. Personal Income Tax- Department of Revenue and Custom

Source of income which are included under PIT:

1. Salary Income
2. Rental Income
3. Dividend Income
4. Income from Cash Crop
5. Income from other sources

A. Salary Income which includes

Pay, wages, commission, bonus, leave encashment, share of profits, allowances and the benefits received free or at concessional rate.

B. Exception

- Contribution to PF & GIS
- Leave Travel Concession (LTC) up to a maximum of Nu. 15,000
- TA/DA
- Transfer Grant & Transportation Cost
- Gratuity & PF paid in lump sum
- Stipend received by trainees, exchange students

- Living allowances received by volunteers working in Bhutan

(Pension is subject to PIT)

Income from real property

Land, building, warehouses, and any other structure earning rental income.

- TDS @5% shall be withheld if the rent payer is Government, semi-Government, NGOs , companies or business entities.

Q:If there are two or more joint ownership, how is income divided?

A: Income earned from joint ownership shall be divided equally unless specified in a written agreement.

Q:If the house is vacant, do the individual have to pay the PIT?

A: Property kept vacant and not falling under Exemption shall be deemed as property let out and rent will be calculated on the fair market price

Q: Why pension is subject to PIT?

A: Pension is subject to PIT since it is considered to be as source of income.

Dividend Income

Income earned from holding of share/shares in a company registered in Bhutan and shall be taxed on receipt basis

Dividend income not exceeding Nu.10, 000 p.a is exempted.

Income from cash crops

30% of the gross income from cash crop is liable to tax.

Income from other sources

Income derived from the following Sources:

- Hire of privately owned vehicles excluding Trucks & Taxis
- Hire of privately owned plant & machinery
- Intellectual property rights

30% of gross income from other sources are liable for tax

Tax Deducted at Source

TDS @ 5% shall be withheld on gross income from other sources by Govt, Semi-Govt, NGOs, Companies or business entities on payment.

Tax Clearance Certificate shall be issued provided:

- No outstanding taxes due to the government.
- A person does not have taxable income.

In the case of PIT payers, TCC must be obtained when the persons dies or resign or superannuate from his/her service to claim their benefits.

Application must be accompanied with relieving order issued by their respective HR Division/Services.

Business Income Tax

- BIT is a tax levied on unincorporated business units who are issued with a trade licence or a permit by MoEA. It is levied at 30% of the net profit.
- BIT is levied on the following areas:
 1. Bonus-regulated to 10% of the assessed net profit OR two months basic pay per employee(Whichever is lower)
 2. Provident Fund and Gratuity Fund-If it is invested with a financial Institution, he/she should pay BIT.
 3. Staff Welfare Expenses-provision of canteen and recreational facilities to employee within the business premises.
 4. Medical Expenses
 5. HRD Expenses
 6. Preliminary Expenses
 7. General Expenses

Q: Do the benefit of a civil servants are levied to BIT?

A: Benefits are deductible but it should be clubbed with the salary of the recipient.

Second day

Sharing Experiences by Retired Civil Servants

- One of the retired civil servants shared his experiences, mentioning that there are three common things while superannuating:
 1. Emotional attachment
 2. Financial adjustment
 3. Health issues
- A forum for retired civil servants to share their experiences, problems and how they have solved the problems.
- Usually, when the civil servants superannuate, they expect to fall easily into a life of leisure - rising late, doing what he/she wanted when he/she wanted, and traveling frequently with their spouse. However, post-retirement, they find their days endlessly boring, spent mostly sleeping or watching television. Especially for men, it becomes too difficult to adjust since wife has her own activities which don't include him. That is the moment they discover, leaving one life to begin another is difficult and may suffer from depression, mental disorders and other health issues.
- Even though most professionals look forward to retirement, the loss of a job can be unexpectedly traumatic because the jobs provide mental health benefits including:
 - a. Feelings of self-worth through contribution and being appreciated in the workplace
 - b. The satisfaction of solving problems and learning new things
 - c. Relationships with colleagues
 - d. Daily routines eliminating mental decisions about what to do next
- The key to a positive retirement is to ensure these benefits don't get lost, but are simply experienced in a different way and this could be done through voluntary programs. This is important to be included in the Retirement Planning Workshop since it will give retired civil servants an avenue to volunteer and use their skills and knowledge to help fulfill their need of accomplishment and recognition which will eliminate the thought of being jobless.

Mindful Thinking by Khenpo

Mindful Thinking is a practice which will bring the mind to home, leading a joyous life forever.

- Once you know what is wrong and bad, the mental setting becomes strong because then a person becomes what he/she thinks and is shaped by the ones thoughts.
- Mindful thinking helps to reduce stress and create a balanced life.
- Being positive in life will bring confidence and courage to go ahead with retired life.

Financial Planning and the Schemes available at RICBL

Financial planning is the process of achieving financial goals through the enhancement of existing financial resources such as assets and income with the help of available financial

tools such as pension plan, annuity plan, saving plan, housing plan, etc. And in the Civil Service, one needs to think on saving the money so that it can be sufficient when it is time for retirement. To help with it, RICBL has come up with different schemes to invest the money for good purpose:

1. Life Insurance Schemes

• Ten Tsai Mangul Ngenchoel

- All lives with non-hazardous occupation can be covered
- Mini/Max age at entry 18 - 60 years
- Mini/Max Sum Assured 100,000 – NO LIMIT
- Minimum/Maximum term 5 - 10 years
- Maximum maturity age 70 years
- Large Sum Assured rebate of 1% and .25% respectively for Sum Assured over 500,000

• Gaki Pelzom Life Policy

- This policy is a combination of Endowment and whole life policies.
- Sum Assured along with the accumulated Bonus payable at the end of the premium paying term.
- The risk will still continue beyond premium paying term.
- Full Sum Assured will be paid to the nominee when the policy holder dies after premium paying term.
- The premium are limited to the term chosen.
- Bonus accrued during the premium paying term is payable at the end of the premium paying term or on earlier death.
- No bonus is paid on death after the premium paying term.
- Policy can be surrendered for cash after paying the premium for 3 years

Eligibility Conditions:

- | | |
|----------------------------|-----------------------|
| - Min. age at entry | 18 years |
| - Max. age at entry | 55 years |
| - Max. age at maturity | 70 years |
| - Mode of payment | Mly/SSS/Qly/H-yly/Yly |
| - Min. Sum Assured | Nu.50, 000/- |
| - Max. Sum Assured | Nu.500, 000/- |
| - Min. premium paying term | 5 years |
| - Max. premium paying term | 52 years |
| - Maximum Accident Covered | Nu.500,000/- |

2. Life Annuity Scheme

The Life Annuity Scheme is a post retirement benefit scheme (similar to a pension scheme) and helps to plan for our financial benefits after retirement.

TWO types:

- **Deferred Annuity Scheme**

- ❖ Premium is deposited under various modes like monthly, quarterly, half-yearly and yearly till the vesting age (retirement age).
- ❖ Single lump sum premium deposit option is also available.
- ❖ The regular annuity payment will be paid to the policyholders upon attaining the retirement age.
- ❖ The scheme has four optional retirement ages: 50, 55, 60 and 65 years. Upon attaining the selected vesting/retirement age, the policyholder will start receiving regular annuity income (Pension Amount) till the policyholder is alive.
- ❖ The scheme also has the option for the individual to choose for a guaranteed number of years of annuity amount irrespective of policy holder's life expectancy.

- **Immediate Fixed Term Annuity**

- ❖ The premium under this scheme can be deposited only in single lump sum amount.
- ❖ The annuity payment will start one month after the date of purchase of the scheme.
- ❖ Competitive interest rate offered(highest).(8 to 10.5%)
- ❖ Term from 2 to 15 years.
- ❖ Return of Investment amount on completion of term.

3. Group Insurance Scheme

Group	Grade	Monthly deduction(Nu.)	Sum Assured(Nu.)
A	1 to 3	500	500,000
B	4 to 8	400	400,000
C	9-13	300	300,000
D	14 and below	200	200,000

- On resignation/retirement, the total saving would be refunded back to the civil servant with the interest of 8% p.a.

Feedback after the workshop

The participants were asked to fill in two Questionnaires, one prior to the start of the workshop and one at the end of the workshop.

The result from the first Questionnaire is as follows

On income/expenditure

92.7% know what their monthly/yearly income is

72.7% know what their monthly/yearly expenditure is

92.7% of the participants have savings account.

81.8% have loans.

52.7% think they live a comfortable life right now.

Early Retirement Scheme

Although 52.7% knew whether they were eligible for ERS only 23.6% knew the benefits one would receive if they availed ERS.

Retirement

58.2% did not know what they were entitled to when they retired while 3.6% had not thought about this.

83.6% did not know how much pension they were entitled to.

70.9% did not know the PF they would get

67.3% did not know how to calculate their other retirement benefits while 10.9% had not thought about it.

When asked if they were preparing for retirement,

67.3% have actually thought about retirement but only 54.6% said they were preparing for retirement.

3.6% thought it was too early to be thinking of retirement while one person said that this workshop made him think.

Life after retirement

36.4% had thought of life after retirement.

66% did not foresee a comfortable life after retirement.

20% had not thought about the whether they would have a comfortable life or not.

Only 32.7% have thought about where they want to retire while 65.5% had not thought about this.

92.7% have not done any financial planning. Yet only 89.1% think they need to do some financial planning to prepare themselves for retirement.

The result from the second Questionnaire at the end of the workshop is as follows

On income/expenditure

100% know their monthly/annual income

95.4% know their monthly/annual expenditure

Early Retirement Scheme

74.4% know what they will be entitled to if they take ERS

Retirement

95.4% know what they are entitled to when they retire

95.4% know the pension they are entitled to when they retire

90.7% know the PF they will get when they retire

97.7% know how to calculate their other retirement benefits

83.7% of them are now thinking of retirement and 88.4% are preparing for retirement.

Life after retirement

95.4% are thinking of life after retirement

53.5% think they will have a comfortable life after retirement while 23.3% did not know whether they would have a comfortable life or not and 18.6% did not foresee a comfortable life.

79.1% have now thought about where they will retire.

90.7% have said that they will start some financial planning for their retirement.

Feedback on the workshop

All participants agreed to the following

- The workshop lived up to their expectations,;
- The different information shared stimulated my thoughts on retirement planning; and
- The pace of the workshop was appropriate

Maximum disagreement (6 people) was on the following

- I had not thought of Retirement Prior to this workshop.

On the workshop as a whole, more than 95 % of the participants found the workshop useful.

Feedback on the sessions

On the sessions for the workshop, almost all the participants agreed that the sessions would be useful to them in preparing for their retirement.

Only one person did not agree on the usefulness of financial planning session 1 in preparing for retirement.

The participants found Mindful Thinking by Khenpo Phuntsho Tashi and emotional and psychological impact of superannuation by Dr. Chenchu Dorji the most informative and useful. This was followed by presentations by NPPF and RICBL and calculating retirement benefits by MoF.

Participants have suggested the above topics for future retirement planning workshops.

1. More information and awareness of ERS
2. Mindful thinking after retiring from the civil service
3. Info on the new position level from RCSC
4. Immediate future plan for the CSWS
5. Individual work plan to be developed for retirement and assessment done every 3 years

The participants have expressed that financial planning workshop should be provided to the new recruits at the start of their careers. Some of them feel it is too late for them. They have also expressed that reviewing should be done after 3 years and not 5 years.