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# Survey of Thai employee benefit obligations as of 2556 B.E. (A.D. 2013)

An analysis of employee benefit obligations among SET 50 companies as of  
31 December 2556 B.E. (31 December A.D. 2013)





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## INTRODUCTION

Milliman conducts continual and extensive research on issues connected to the employee benefits offered by Thai companies.

We present here our second annual study of the employee benefit obligations among Thai companies to report the major trends with regard to these obligations. We focus specifically on postemployment, termination, and other long-term employee benefits sponsored by Thai employers. This includes the Thai statutory severance benefit, long-service awards, postemployment pension plans, and various other long-term benefit structures. All of the companies report their employee benefit obligations under Thai Accounting Standard 19.

The main aim of the study is to educate and create awareness about the state of employer-sponsored long-term employee benefits programs and foster a healthy dialogue among policy builders, employers, employees, and the general public about the future of such plans in Thailand.

We focus our analysis on the companies featured in the SET 50 index as of 31 December 2556 Buddhist Era (B.E.), i.e., 31 December A.D. 2013. For one of the companies the required data for our analysis was not readily available at the time of the study. Consequently we have restricted our analysis to the 49 companies outlined in Figure 1. We have extracted data from their disclosed annual reports.

**FIGURE 1: STUDIED SUBSET OF THE COMPANIES IN SET 50 AS OF 31 DECEMBER 31 2556 B.E.  
(31 DECEMBER A.D. 2013)**

COMPANY	INDUSTRY	FISCAL YEAR-END
Advanced Info Service Public Company Limited	Technology	31 December 2013
Airports of Thailand Public Company Limited	Services	30 September 2013
Bangkok Bank Public Company Limited	Financials	31 December 2013
Bangkok Dusit Medical Services Public Company Limited	Services	31 December 2013
Bangkok Life Assurance Public Company Limited	Financials	31 December 2013
Bank of Ayudhya Public Company Limited	Financials	31 December 2013
Banpu Public Company Limited	Resources	31 December 2013
BEC World Public Company Limited	Services	31 December 2013
Berli Jucker Public Company Limited	Services	31 December 2013
Big C Supercenter Public Company Limited	Services	31 December 2013
BTS Group Holdings Public Company Limited	Services	31 March 2013
Bumrungrad Hospital Public Company Limited	Services	31 December 2013
Central Pattana Public Company Limited	Property and Construction	31 December 2013
Central Plaza Hotel Public Company Limited	Services	31 December 2013
Ch. Karnchang Public Company Limited	Property and Construction	31 December 2013
Charoen Pokphand Foods Public Company Limited	Agro and Food	31 December 2013
CP All Public Company Limited	Services	31 December 2013
Delta Electronics (Thailand) Public Company Limited	Technology	31 December 2013
Electricity Generating Public Company Limited	Resources	31 December 2013
Glow Energy Public Company Limited	Resources	31 December 2013
Home Product Center Public Company Limited	Services	31 December 2013
IRPC Public Company Limited	Resources	31 December 2013

**FIGURE 1: STUDIED SUBSET OF THE COMPANIES IN SET 50 AS OF 31 DECEMBER 31 2556 B.E.  
(31 DECEMBER A.D. 2013) – CONTINUED**

COMPANY	INDUSTRY	FISCAL YEAR-END
Jasmine International Public Company Limited	Technology	31 December 2013
Kasikornbank Public Company Limited	Financials	31 December 2013
Kiatnakin Bank Public Company Limited	Financials	31 December 2013
Krung Thai Bank Public Company Limited	Financials	31 December 2013
Land and Houses Public Company Limited	Property and Construction	31 December 2013
Minor International Public Company Limited	Agro and Food	31 December 2013
Prukha Real Estate Public Company Limited	Property and Construction	31 December 2013
PTT Exploration and Production Public Company Limited	Resources	31 December 2013
PTT Global Chemical Public Company Limited	Industrials	31 December 2013
PTT Public Company Limited	Resources	31 December 2013
Ratchaburi Electricity Generating Holding Public Co. Ltd.	Resources	31 December 2013
Robinson Department Store Public Company Limited	Services	31 December 2013
Shin Corporation Public Company Limited	Technology	31 December 2013
Siam City Cement Public Company Limited	Property and Construction	31 December 2013
Siam Global House Public Company Limited	Services	31 December 2013
Siam Makro Public Company Limited	Services	31 December 2013
Thai Airways International Public Company Limited	Services	31 December 2013
Thai Oil Public Company Limited	Resources	31 December 2013
Thai Tap Water Supply Public Company Limited	Resources	31 December 2013
Thai Union Frozen Products Public Company Limited	Agro and Food	31 December 2013
Thanachart Capital Public Company Limited	Financials	31 December 2013
The Bangchak Petroleum Public Company Limited	Resources	31 December 2013
The Siam Cement Public Company Limited	Property and Construction	31 December 2013
The Siam Commercial Bank Public Company Limited	Financials	31 December 2013
TMB Bank Public Company Limited	Financials	31 December 2013
Total Access Communication Public Company Limited	Technology	31 December 2013
True Corporation Public Company Limited	Technology	31 December 2013

The annual reports had disclosures on both the consolidated and company-specific obligations. We focus our analysis on the company-specific obligations. We do not consider in detail the consolidated obligations reflecting the combined undertakings of the company and its subsidiaries.

## DEFINED BENEFIT OBLIGATIONS DISCLOSED IN 2556

### WHAT IS THE DEFINED BENEFIT OBLIGATION?

The defined benefit obligation (DBO) is the present value of expected future payments required to settle an employee's entitlement based on their service with the employer. The framework for estimating the obligation is outlined in the relevant accounting standard, in this case Thai Accounting Standard No. 19.

### HIGHER DBO LEVELS RECORDED IN 2556

The companies registered a rise in their DBOs from the prior year. From 2555 B.E. to 2556 B.E. (A.D. 2012 to A.D. 2013), their combined DBOs rose by about 6.7%, from approximately THB 63.9 billion to approximately THB 68.2 billion. Only one of the companies has pursued advance partial funding of its obligations.

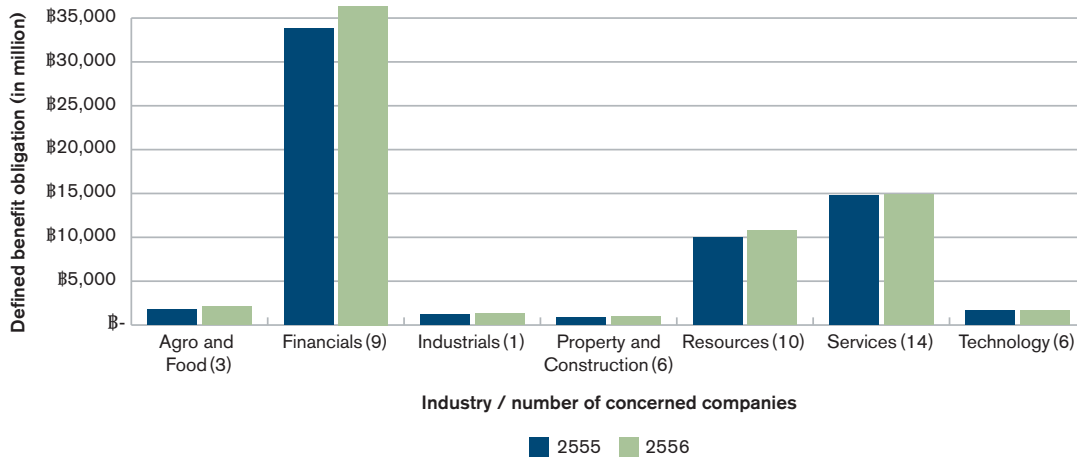
FIGURE 2: CHANGES IN DBO (IN MILLIONS)



### INDUSTRY-SPECIFIC CHANGES IN DBO

Changes in DBO can be attributed to several factors, including accrual of extra service, aging of the covered populations, demographic experience, and changes in economic assumptions.

FIGURE 3: INDUSTRY-SPECIFIC CHANGES IN DBO (IN MILLIONS)



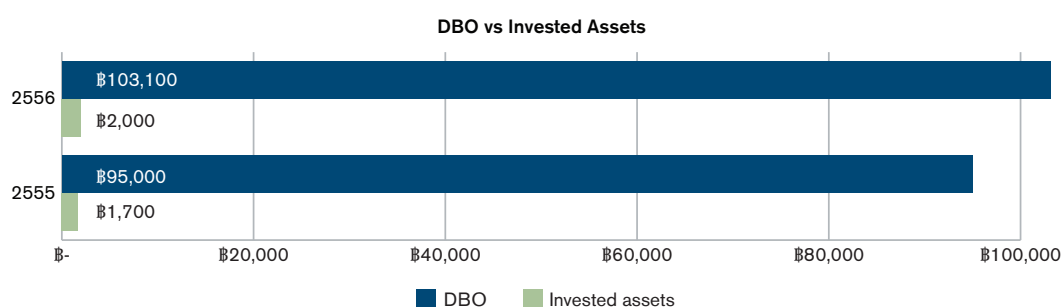
### DISBURSEMENT OF OBLIGATIONS

The long-term postemployment benefits obligations in question may not fall due for a number of years. The aggregate long-term postemployment benefits payments made in 2556 were approximately THB 2.7 billion, or approximately 3.9% of the total DBO.

### REFERENCE POINT: CONSOLIDATED OBLIGATIONS

The consolidated employee benefit obligations take account of the undertakings made by the company's subsidiaries. The aggregate consolidated DBO for the companies under consideration rose by about 8.5%, from approximately THB 95.0 billion to approximately THB 103.1 billion. On a consolidated basis, in more than one case the companies have pursued advance partial funding of their obligations.

**FIGURE 4: CONSOLIDATED OBLIGATIONS AND FUNDING STRATEGY (IN MILLIONS)**



## EXPENSE CHARGE FOR 2556

### WHAT IS THE EXPENSE CHARGE?

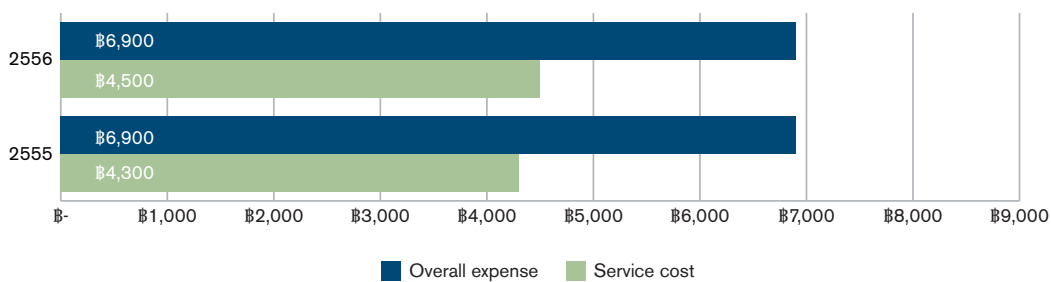
The annual expense charge is the amount recognized in an employer’s comprehensive income account for the year arising from the sponsorship of the benefit plans for employees. There are various components to this charge. The portion relating to the additional benefit entitlement earned during the year is known as the service cost. Other aspects include an adjustment for obligations becoming one year closer to payment by the end of the fiscal year (known as the interest cost) and a possible allowance for the rereasurement of the net benefit obligation, which would be due to updated data and actuarial assumptions. Additional components are possible.

*Note that in some instances the expense charge may not be explicitly specified in a company’s annual report—but in these instances we may make an inference about the charge from other statements made in the accounts.*

### SIMILAR CHARGES RECORDED IN 2556

The companies’ total annual expense charge was unchanged from the prior year. From 2555 to 2556, their combined expense charges were approximately THB 6.9 billion. The aggregate service cost recorded for 2556 was approximately THB 4.5 billion.

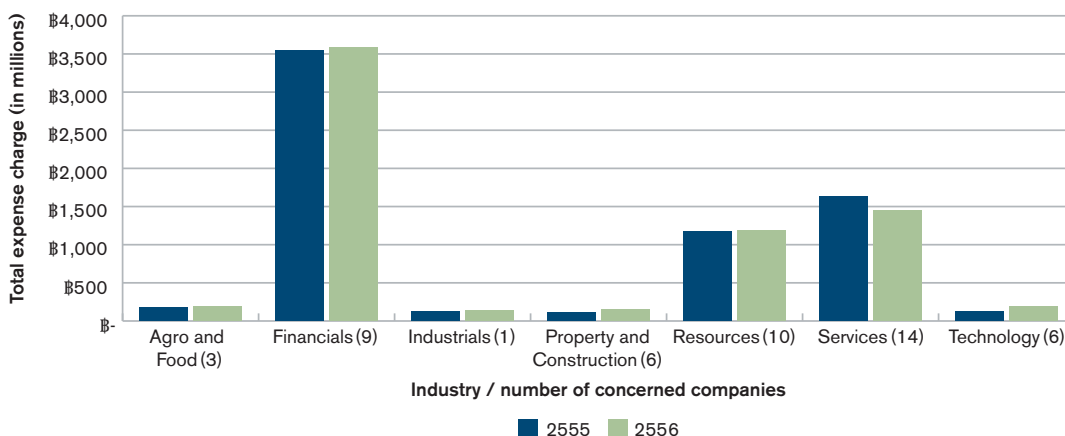
FIGURE 5: CHANGES IN EMPLOYER EXPENSE (IN MILLIONS)



### INDUSTRY-SPECIFIC EXPENSE CHARGES

The changes in expense may be correlated to the change in DBO. Some of these changes may have been correlated with the industries of the employers.

FIGURE 6: INDUSTRY-SPECIFIC CHANGES IN EXPENSE





## ACTUARIAL ASSUMPTIONS CHOSEN FOR 2556

### ACTUARIAL ASSUMPTIONS

In estimating the employee benefit obligation, the company must make certain assumptions about future experience. These assumptions should reflect an entity's best estimate of future experience. The most important assumptions in the estimation of the employee benefit obligation are:

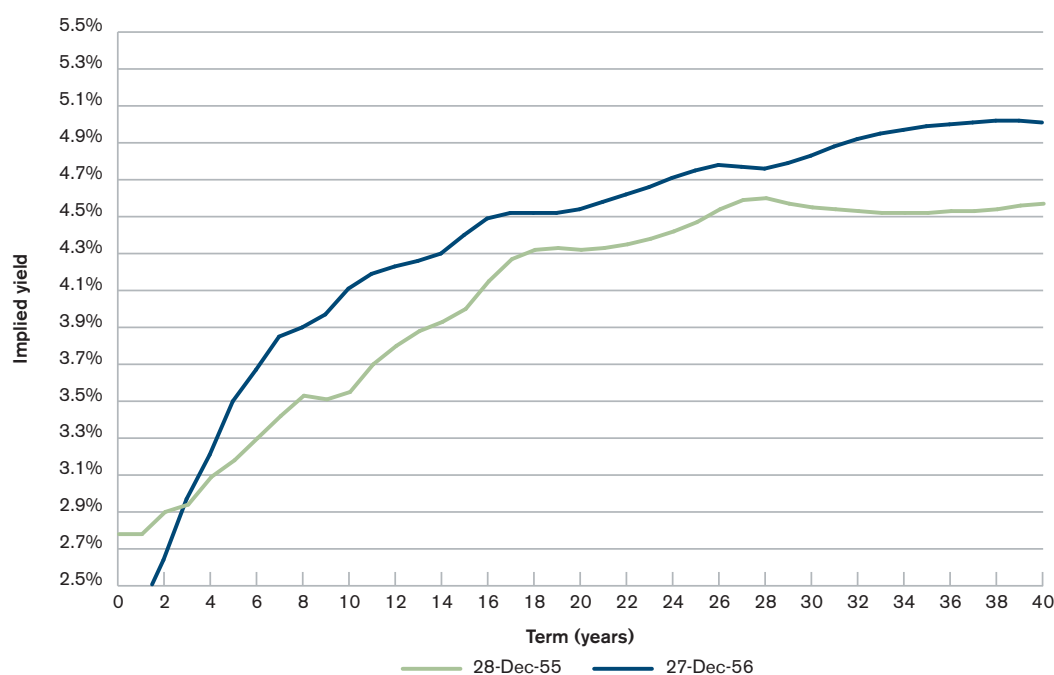
- Discount rate
- Future salary increases
- Rates of employee turnover, disability, and early retirement
- Mortality

We focus our analysis on the assumed discount rate and future salary increases.

### SELECTION OF THE DISCOUNT RATE

In Thailand, the primary reference point for setting the discount rate is the yield on Thai government bonds. The rate chosen should reflect the notional yield as of the end of the company's fiscal year on a bond with the same duration as the weighted average expected future working lifetime of the covered employees. All else being equal, a higher discount rate results in a lower disclosed benefit obligation. (For 47 of the 49 companies under consideration, the fiscal year ends on 31 December.)

**FIGURE 7: IMPLIED ZERO-COUPON YIELD CURVE FOR THAI GOVERNMENT BONDS**

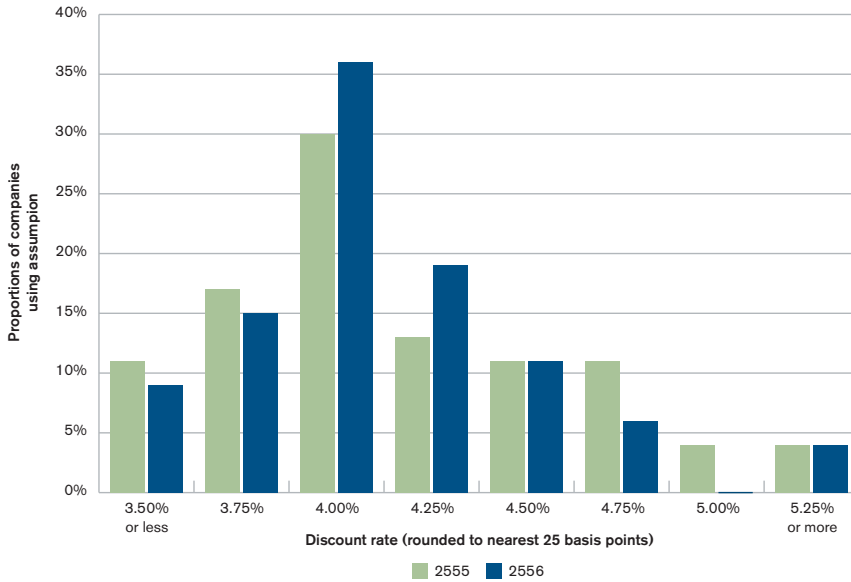


Source: The Thai Bond Market Association

**DISCOUNT RATES HAVE RISEN**

Many of the companies stated a range of discount rates for 2556, either because different discount rates were selected for different benefit structures or in some cases because the assumptions were only stated on a consolidated basis. If we take the representative discount rate for these companies to be the midpoint of the specified range, we observe a rise in discount rate between 2555 and 2556 for 15 companies and a fall in discount rate for seven companies, with the remainder unchanged. Overall, the median discount rate remained unchanged in 2556 at 4.0%.

**FIGURE 8: DISTRIBUTION OF DISCOUNT RATES**

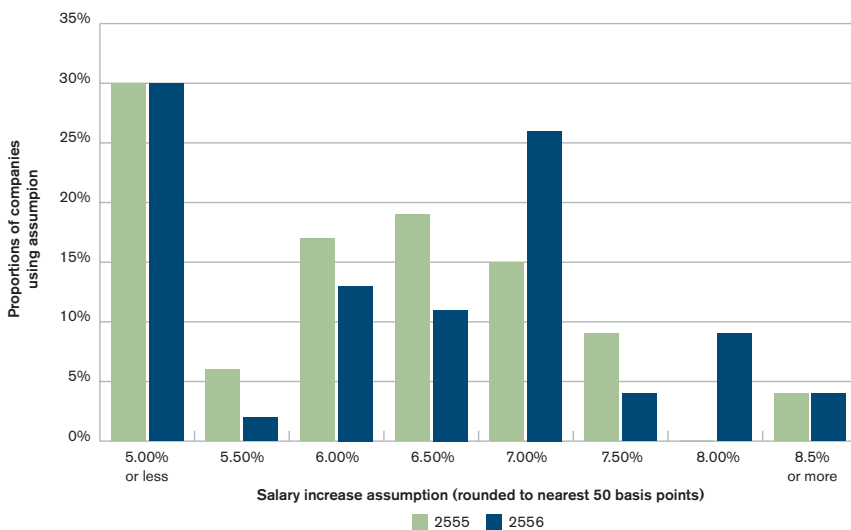


*Please note that some companies in our analysis have not performed full annual valuations and have instead projected their obligations based on the premise of no changes in membership data and without any changes to their actuarial assumptions; this practice may lead to greater stability of the discount rate than would be suggested by the market yield curve.*

**EXPECTED SALARY INCREASES HAVE INCREASED**

In measuring the obligation, an assumption is made about the expected long-term rate of increase in the salaries of prospective future recipients of the gratuity benefit. As per the discount rate, some companies disclosed a range of salary increases for 2556. If we take the representative salary increase assumption for these companies to be the midpoint of the specified range, we observe a rise in salary increase assumption between 2555 and 2556 for four companies and a fall in salary increase assumption for three companies, with the remainder unchanged. Overall, the median salary increase assumption has risen from 6.0% in 2555 to 6.25% in 2556.

**FIGURE 9: DISTRIBUTION OF SALARY INCREASE ASSUMPTIONS**



## ABOUT THIS STUDY

### MILLIMAN SURVEY OF THAI BENEFIT OBLIGATIONS AS OF 2556 B.E. (A.D. 2013)

This study covers the 50 companies featured in the SET 50 index as of 31 December 2556 (31 December A.D. 2013).

The results of this study are based on the employee benefit obligation accounting information disclosed in the footnotes to the companies' annual reports for the 2555 and 2556 fiscal years. These figures represent the GAAP accounting information that public companies are required to report under Thai Accounting Standard 19.

Milliman also publishes similar studies for other Asian and international industry groupings.

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