

Retirement Radar

March 2026 Edition



Retirement benefits continue to play a central role in supporting employees' long term financial security and reinforcing organisational commitment to their wellbeing. As economic conditions evolve and regulatory expectations intensify, it is increasingly essential for employers to understand the forces shaping retirement funding plans and compliance requirements to better support their workforce. In this March edition of Retirement Radar, we delve into the key factors influencing benefit valuations, examine the shifting retirement landscape, highlight best practices in plan funding, and provide insights into the latest regulatory developments that impact retirement programmes.

Actuarial Assumptions	Retirement Benefits Funding	Labour Codes Update	Regulatory Updates
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Actuarial Assumptions

In this section, we spotlight the key assumptions shaping employee benefit valuations — from shifting bond yields to evolving salary trends and attrition patterns. Backed by the latest economic signals and demographic realities, these updates explain what’s driving liability changes and what it all means for your financial statements.

Discount rate update

As per Indian accounting standards, the discount rate assumption is determined by reference to yields on government bonds corresponding to the estimated term of the liability. Government bond yields experienced moderate movements during the quarter, impacting employee benefit plan liabilities.

Zero-coupon government bond yields (in %)

Term	Yield (%) at				
	28 March 2025	30 June 2025	30 September 2025	31 December 2025	27 February 2026
1	6.3860	5.6392	5.6163	5.5899	5.3978
2	6.3866	5.7610	5.7825	5.7933	5.6721
3	6.3909	5.8689	5.9329	5.9737	5.9006
4	6.4074	5.9741	6.077	6.1419	6.1053
5	6.4273	6.0718	6.2087	6.2852	6.2778
7	6.4730	6.2432	6.4293	6.5141	6.5385
9	6.5282	6.3998	6.6141	6.6948	6.7336
10	6.5559	6.4708	6.6898	6.7687	6.8135
15	6.6785	6.7665	6.9653	7.0693	7.1596
20	6.8288	7.0417	7.2205	7.3215	7.4492
30	7.0568	7.3679	7.4970	7.6308	7.7171

Movement in discount rate from 31 March 2025 to 27 February 2026:

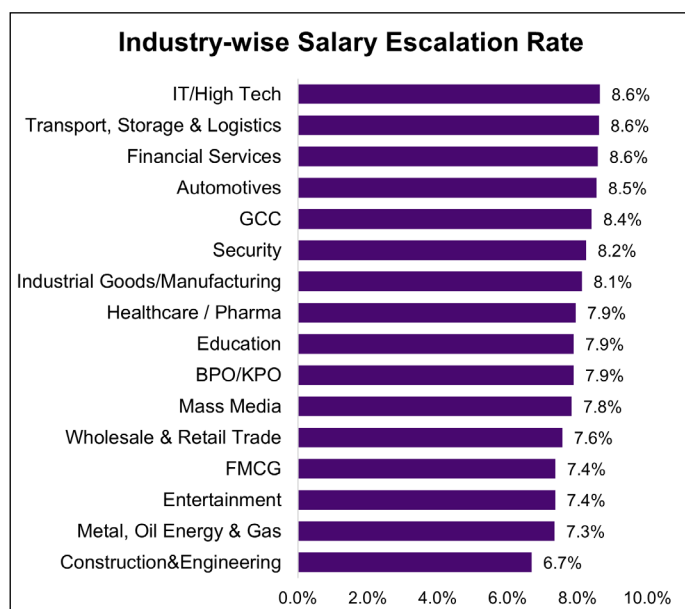
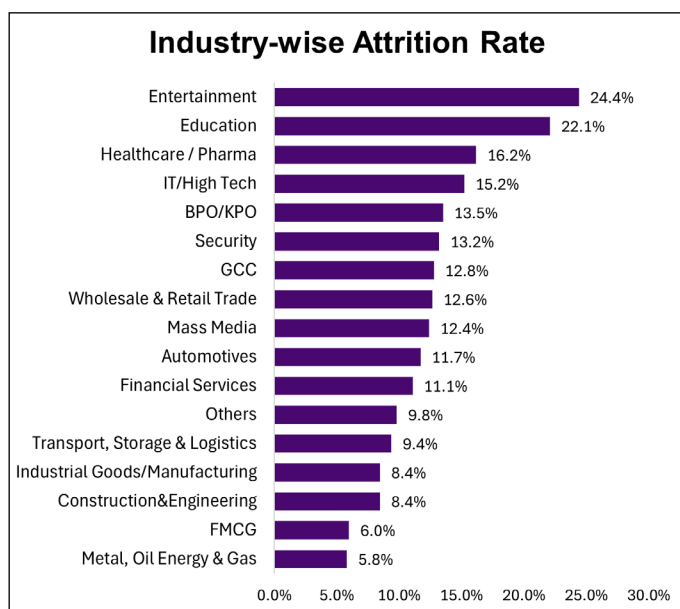
- Government bond yields showed noticeable changes throughout the year across maturities during the review period. Short-term yields declined, while long-term yields increased, leading to a clear steepening of the yield curve.
- In the medium-term segment (4–7 years), yields remained relatively stable with only minor fluctuations, indicating balanced expectations regarding inflation and economic growth.
- In contrast, long-term yields increased throughout the period. The 10-year yield rose from 6.56% to 6.81%, while the 30-year yield increased from 7.06% to 7.72%, suggesting higher long-term risk premiums and inflation concerns.

Liability sensitivity to discount rate changes:

The liability term for most companies is 5–10 years, which makes valuations very sensitive to changes in the discount rate. A 1% fall can increase liabilities by 5% to 10%. For instance, when the 10-year rate increased from about 6.6% at the end of March 2025 to 6.8% in February 2026 (a 20 bps increase), benefit obligations for a typical plan would have dropped by around 2%, all else being equal.

Industry-wise salary escalation and attrition assumptions:

In addition to discount rate, salary escalation and attrition assumptions are used to actuarially value the Defined Benefit Obligation. As per an internal study by WTW of 800+ companies, below are the average of the industry wise assumptions used by companies for actuarial valuation.



Source: Actuarial valuation assumptions used by more than 800 companies

Way ahead

Fluctuating economic conditions, evolving compensation structures, and changing workforce demographics are expected to play a central role in retirement benefit valuations. Organisations that proactively revisit and refine their underlying assumptions will be better equipped to maintain financial resilience and ensure their retirement strategies remain aligned with long-term business goals.

Retirement Benefits Funding

The regulatory shift: Why labour codes deserve strategic attention

In India's changing regulatory environment, retirement benefits are no longer just an HR responsibility – they are becoming an important financial and governance priority. With the introduction of the [Code on Social Security 2020](#), organisations are being encouraged to manage retirement benefits in a more planned and transparent way.

Earlier, many employers managed gratuity on a pay-as-you-go basis, which created uncertainty for both employees and company finances. The new labour codes signal a clear shift towards better-funded and professionally managed retirement systems.

Feature focus: Section 57 of the Code on Social Security, 2020

One of the key provisions under the Code is **Section 57**, which focuses on securing gratuity liabilities. It states that gratuity should be **funded and managed in advance**, instead of being paid only when employees leave.

The Code offers two main options for employers:

- Taking gratuity insurance from a life insurer, or
- Setting up an **approved gratuity fund**.

Although Section 57 is yet to be fully notified across India, some states (e.g. Karnataka, Telangana and Andhra Pradesh) have made insurance compulsory. It is possible that other states may also follow suit, especially – as gratuity obligations continue to rise.

Market reality: How gratuity is funded in practice

Currently, there is no simple insurance product in India that fully covers gratuity in the traditional sense. Since gratuity depends on long-term factors like salary growth and employee service, a more practical solution has emerged – life-insurer-managed gratuity trusts.

Under this model, companies set up a separate trust for gratuity, while the insurer manages the funds. This ensures gratuity money is set aside in advance, professionally managed, and protected, and it is also recognised as a valid compliance method under Section 57.

Closing insight

The Code on Social Security 2020 reflects a major shift towards better-funded and more structured retirement systems. Even though Section 57 is still awaiting notification, the policy makers' intent is clear.

How equity and debt funds have performed across retirement portfolios — and what it means for your funding strategy

Fund type	Max equity exposure %	Remarks	Returns				
			1 year	3 years	5 years	7 years	10 years
Equity fund	30% to 60%	High risk; for growth-seeking customers	6.84%	11.17%	10.25%	10.70%	10.60%
Balanced fund	20% to 30%	Medium risk; combines growth with stability	6.28%	8.88%	7.51%	8.80%	8.66%
Debt fund	0%	Low risk; focuses on capital protection	5.66%	7.01%	5.16%	6.50%	7.01%
Liquid/Money Market Fund	0%	Very low risk; for short-term or exit-phase accumulation	5.20%	5.57%	4.50%	5.25%	5.40%

Did you know the same type of gratuity product can yield different returns across insurers? Understanding the **fund manager's strategy, consistency, and past performance** is crucial to long-term success.

Please visit our webpage to read about [WTW's RFS 360°](#) an end-to-end solution for companies to manage their retirement plans.

Labour Codes Update

WTW conducted a [webinar](#) on February 26, 2026 covering updates on Labour Codes, market insights on financial impact on gratuity/leave encashment and ways of mitigating the impact being considered by corporates. The webinar covered information disclosed by BSE 100 companies as well as insights from over 200 WTW clients.

A few notable findings are as below:

Summary

	Effective date Labour Codes, including the Code on Wages, come into force on 21 November 2025.
	Impact on benefits A broader salary definition known as “Wage” will now be applied on wage linked benefits (e.g. gratuity and leave), instead of Basic + DA used earlier. This will lead to higher liabilities and recognition of a one time Past Service Cost (PSC) on 21 November 2025. Provident Fund benefit remains status quo as of now.
	Definition of “Wage” Wage has been defined as all components and allowances paid ordinarily to employees. A specified exclusions list has been provided by government which are to be excluded from wage definition. Basis WTW’s internal study, the average wage is coming out to be 70% of total remuneration.
	Impact on leave encashment policies The OSH code may also affect leave encashment policies for workers, prompting review of accumulation and encashment practices.
	Company responses Basis WTW’s internal study of 200+ companies: <ul style="list-style-type: none">• Around 78% companies are either restructuring the CTC or thinking on these lines to mitigate impact.• Out of the 60% companies who offer a more generous gratuity benefit compared to the statute, 65% of these 60% companies (39%) continued the same benefit while the rest have tweaked the benefit design to mitigate the impact.
	Financial reporting <ul style="list-style-type: none">• PSC recognised at the transition date, 21st November 2025 for moving from “Basic + DA” to “Wage” for all past years.• Service cost for the financial year 2025-26 shall need to be bifurcated into two parts - based on Basic Salary for service until 21st November 2025 and based on Wages for service thereafter.

Regulatory Updates

Navigating change – key retirement regulatory updates you should know

Corporate National pension System (NPS) – greater flexibility and additional investment choices for subscribers

- Increase in maximum permissible Exit age up to 85 years from the earlier limit of 75 years.
- Increase in frequency of permissible partial withdrawals to maximum of four partial withdrawals (from earlier limit of three partial withdrawals).
- **Increase in lump-sum withdrawals limit**
 - Subscribers can withdraw **up to 80% of corpus** as lump sum at maturity.
 - In case total corpus at maturity is less than or equal to INR 8 lacs, then subscriber shall have option to **withdraw 100% of the corpus**.
 - In case total corpus at maturity is less than or equal to INR 12 lacs but more than INR 8 lacs, then subscriber shall have option to **withdraw maximum of INR 6 lacs as lump sum**.
- **Additional option for investment of funds:** From October 1, 2025, **100% equity investment options** are available under the Multiple Scheme Framework (MSF).

For more details refer to the links below:

[Official press release by Ministry of Finance](#)

[Circular issued by PFRDA](#)

Social Security Agreement between Government of India (India) and Government of United Kingdom of Great Britain and Northern Ireland (United Kingdom)

- The Social Security agreement between India and United Kingdom aims to **eliminate dual social security contributions** for employees of both the countries on temporary assignments of up to 36 months in each other's territories, thereby supporting mobility and continuity of social security coverage.
- Once the signed agreement is available on the websites of the Ministry of External Affairs and the Employees' Provident Fund Organisation, the stakeholders will be able to obtain Certificates of Coverage. By virtue of Certificate of Coverage, the international workers from United Kingdom on temporary assignments of up to 36 months in India, are not required to make contributions under Employees Provident Fund and Miscellaneous Provisions Act, 1952.

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About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organisational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success — and provide perspective that moves you. Learn more at wtwco.com.



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