# An Evaluation of Retirement Benefit Policies: A Study on DataPath Ltd.

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# Letter of Transmittal

27 October, 2024

Dr. Mohammad Rokibul Kabir
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**Subject: Submission of Internship Report**

Dear Sir,

I am pleased to submit my internship report titled “**An Evaluation of Retirement Benefit Policies: A Study on DataPath Ltd.**” as a part of the requirements for the completion of the Bachelor of Business Administration (BBA) program.

This report reflects my experience and learnings during my internship at DataPath Ltd., where I had the opportunity to gain hands-on experience in evaluating retirement benefit policies. The report focuses on analyzing the retirement policies and their relevance to the organization’s operations.

Despite the time constraints and resource limitations, I made an effort to produce an exceptional and thorough report. Working on the internship report under your supervision is a pleasure for me. I've done my best to add more context to this report. I hope the report meets your expectations, and I would be happy to clarify or discuss any questions you may have.

Thank you for your guidance and support throughout the internship period.

Zubair

Sincerely,
Md. Zubair Bin Rashid
ID: 203-11-1209
Major: Accounting
Program: BBA
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# Certificate of Approval

This is to certify that the internship report titled **"An Evaluation of Retirement Benefit Policies: A Study on DataPath Ltd."** has been prepared by Md. Zubair Bin Rashid, a student of Bachelor of Business Administration (BBA) at Daffodil International University, bearing ID: 203-11-1209, as a partial fulfillment of the requirements for the degree.

This report has been carried out under my supervision and is an original work completed by the student during the internship program at DataPath Ltd. I hereby approve this report and recommend its submission for final evaluation.

Dr. Mohammad Rokibul Kabir
Professor
Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University

# Acknowledgment

First of all I would like to thank Almighty Allah for granting me the strength and fortitude to complete my internship report. I am grateful to those people who helped me in completing the report. I would like to express my sincere gratitude to my supervisor, Dr. Mohammad Rokibul Kabir sir for his inspiration, guidance, valuable suggestions, sympathetic advice and enthusiastic encouragement throughout my work.

I would also like to extend my heartfelt thanks to DataPath Ltd. for providing me the opportunity to intern at the organization. The professional exposure and knowledge I gained during my time at DataPath Ltd. have been integral to my personal and professional growth.

In addition, I am grateful to all my colleagues at DataPath Ltd., whose cooperation and willingness to share their knowledge have greatly contributed to my understanding of the retirement benefit policies and execution.

Lastly, I would like to thank my family and friends for their unwavering support and encouragement throughout my academic journey and internship experience.

# Executive Summary

This study offers a comparative analysis of retirement benefit systems in the USA and Bangladesh. The objective is to emphasize the advantages of the U.S. retirement sector while outlining the deficiencies and obstacles in Bangladesh's retirement regulations, providing recommendations for potential adaptation and implementation in the context of Bangladesh.

In the first part of the study, the U.S. retirement system is examined in great depth and with a larger focus on its widespread adoption in the public and private sectors. Policies such as 401(k) plans, social security, and pension plans are utilized by not only employees and companies but even sole proprietors because of their flexibility and government backing. The US government provides specific rules and guidelines to be followed along with the provision of tax rebates, education and encouragement for both the employers and the employees in investing into a retirement plan. More than 3,000 companies are providing structured retirement plans, making this industry as highly regulated and effective in the US.

The second part of the study relates to the analysis of pension schemes in Bangladesh and their current status. For Bangladesh, however, in contrast to the USA, retirement benefits are mainly available to government employees with minimal organization and regulation in the private sector. While some private companies do offer organized policies such as provident funds, gratuity or group insurance, many still lack these provisions, leaving a large percentage of the workforce unequipped with retirement monetary provisions. This section submits to the fact that there are clear gaps that must be reformed so that more people can avail themselves of good pension benefits for all employees in Bangladesh.

In evaluating the two systems, however, a number of important factors stand out, among them, government control, employee involvement, economic contribution, and range of benefits. It is noted that the American system is more organized and involves the public more as compared to the situation that exists in Bangladesh which is quite rudimentary and uncontrolled. Either way, the study end with some recommendations towards Bangladesh and suggestion for government polices to be more proactive in facilitating relevant regulations aiming for a greater private sector role and creating a market for a retirement fund as is in the US. Such changes might create conditions for developing and establishing an effective and secure pension industry that serves the economy and the people.

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# Chapter 1

# Introduction

## Background

Under the Bachelor of Business Administration (BBA) program, students must carry out practical work to integrate concepts acquired in class with real-world business environments. This internship report titled, *"An Evaluation of Retirement Benefit Policies; A Study on DataPath Ltd."* is submitted as a requirement for fulfilling this internship program. The internship aids the students in rotating their theories into practice, which is critical to understanding the business world's scenario.

During my internship at DataPath Ltd., which provides services related to the U.S. retirement industry through its collaboration with July Business Services, I gained a deeper understanding of how retirement policies are structured and executed in the USA. While my academic major focuses on Accounting, the practical experience I gained in the retirement industry broadened my perspective on financial planning for retirement. This report stems from that exposure and seeks to evaluate the retirement benefit policies of the USA in comparison to those of Bangladesh, with a particular focus on identifying areas for improvement in the Bangladeshi context.

The rationale behind this study is rooted in the lack of a proper retirement policy in Bangladesh, especially with the increase in the number of private sector employees who are not well covered by retirement benefits. While government employees enjoy structured pension plans, many private employees retire without any retirement security at all. By analyzing and contrasting the robust and more effective U.S. model of retirement with the current policies of Bangladesh, the study will make suggestions for the development of an effective retirement framework that can address these issues.

## Statement of the Problem

The government of the United States has established and enforced an effective and elaborate retirement system for its retired citizens. The rules, regulations, and tax benefits surrounding retirement plans make it easier for people to save and invest for their retirement years. And on the other hand, Bangladesh does not have an applicable such systems, especially in the private sector where retirement contributions are neither compulsory nor regulated. While employees in the public sector do have some sort of retirement coverage, employees in the private sector certainly do not have such a guarantee of retirement coverage.

Undoubtedly, the absence of a proper retirement planning system in Bangladesh, especially for the older citizens, creates a gross imbalance in social welfare and protection. To make matters worse, these plans suffer from obsolete laws and an absence of benefits encouraging private bodies to provide adequate retirement plans.

## Objectives of the Study

### Broad Objective

This study analyzes the retirement policies in the United States and Bangladesh, explaining how the U.S. retirement system may improve Bangladesh's retirement benefits structure.

### Specific Objectives

- To examine U.S. retirement policy, with an emphasis on 401(k) plans and alternative retirement policies.
- To evaluate the existing retirement policies and pension systems in Bangladesh.
- To analyze and differentiate the retirement plans of Bangladesh and the United States.
- To propose policy modifications that Bangladesh may use to provide a more inclusive and secure retirement system for both public and private sector employees.

# Chapter 2

# Company Overview

## 2.1 Company Profile

July Business Services (JBS) was founded in 1995, starting from a modest office with no clients and limited resources. In its early stage, the company's efforts were to create and nurture important business contacts, recruit key personnel, and develop core business processes and strategies. Despite a struggling beginning, their marketing initiatives facilitated crucial alliances with financial consultants, mutual fund entities, banks, and brokerage companies. These alliances were crucial for the company's incremental growth, and by the end of 1996, JBS had more than 250 clients and hired five employees.

Currently, July Business Services is a significant entity in the retirement plan administration sector, supported by a management team with over 40 years of collective expertise. The firm engages highly trained consultants possessing qualifications from prominent industry organizations. JBS presently oversees over 5,000 retirement plans and provides extensive plan administration services. These services encompass the outsourcing of plan administration for national retirement plan providers and the facilitation of extensive client relationship conversions.

DataPath Ltd., a joint venture between the United States and Bangladesh, is one of the principal divisions of July Business Services. DataPath also addresses the requirements of JBS's subsidiary, which has been formed exclusively to provide third-party support for 401(k) retirement plans. DataPath had only six employees when it was incorporated in 2006. Previously, it only provided some peripheral support to outsiders who were US-based third-party administrators. After seeing great results, founders Jim Hudson and John Humphrey gave DataPath the authority to perform primary service tasks by 2008.

DataPath Ltd. has since grown and now takes on a crucial position within the July Business Services' full suite of retirement services. The company provides various services such as plan administration, compliance management, recordkeeping, and employee communication for 401(k) plans. These services are intended to assist both employers and employees in the effective management of their retirement funds. DataPath relies on sophisticated technology to streamline and automate the protocols applied under plan administration, allowing for the delivery of accurate and effective services. The corporation significantly contributes to ensuring adherence to the legislative framework that governs retirement programs, including the Employee Retirement Income Security Act (ERISA).

Currently, July Business Services has broadened its customer base to over 7,000 and, in partnership with DataPath Ltd., persistently provides superior retirement benefit services. Their proficiency in retirement plan administration, implementation of technology-driven solutions, and rigorous compliance have established them as trusted partners for organizations requiring dependable management of their 401(k) plans.

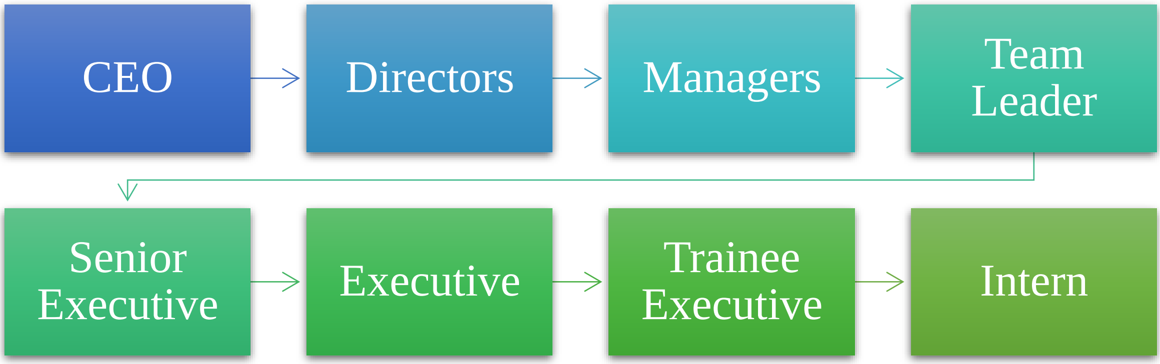
## 2.2 Corporate Division

Operating with a workforce of nearly 500 employees, DataPath Ltd. is strategically organized into various corporate divisions to guarantee optimal workflow efficiency. Every department is essential in executing responsibilities and enhancing the company's overall success. The structure is designed to facilitate smooth communication and coordination across teams. Below is a list of the distinct departments that make up DataPath's corporate structure:

1. Accounting
2. Actuarial
3. Business Development (BD)
4. Business Process Outsourcing (BPO)
    a. Team Galaxy
    b. Team Genesis
    c. Team Optimum
5. Deconversion
6. Distributions
7. ERISA Consulting
8. Human Resource (HR)
9. Information Technology (IT)
10. New Business
11. Payroll
12. Plan Admin
13. Recordkeeping (RK)
14. Sales, 3(16)
15. Software Development
16. Solo
17. Workflow – 5500

## 2.3 Operational Hierarchy

DataPath's operational structure follows a clearly defined hierarchy, which helps in organizing the roles, responsibilities, and authority within the company. This structured system ensures that tasks are executed efficiently and that there is a clear chain of command across all levels of the organization. The hierarchy at DataPath includes several levels, each with specific responsibilities. The most common hierarchy in DataPath is as follows:




As mentioned earlier, DataPath consists of multiple departments, each led by a Manager. In certain departments, there are also Assistant Managers who provide additional support to enhance departmental efficiency. Managers oversee daily operations and have Senior Team Leaders, Team Leaders, and Assistant Team Leaders directly reporting to them. Team Leaders manage the work of Senior Executive Officers and Executive Officers, while Trainee Executives and Interns report to and work under the guidance of Senior Executives and Executives.

Additionally, each department's Manager is accountable to the Operations Director and the Human Resource Director. These Directors, in turn, report directly to the CEO of DataPath Ltd., who oversees the entire company's operations. Ultimately, the CEO of DataPath reports to the Chairman and CEO of July Business Services, maintaining a strong link between the two organizations.

In some departments, additional roles, such as Assistant Team Leaders, are introduced to further streamline the workflow and ensure smooth day-to-day operations.

# Chapter 3

# Internship Role and Responsibilities

## 3.1 Role and Responsibilities

Internships at DataPath Ltd. differ significantly from typical internship roles in other organizations. There is no clerical work, such as typing, filing, or photocopying; instead, DataPath Ltd. expects a high level of dedication and contribution from interns. To support this, the company's human capital development resources are quite generous and include fair compensation, extensive training, and other non-monitory benefits. Moreover, depending on the intern's performance and interest in the placement, permanent recruitment is possible after the successful completion of the internship.

During my internship at DataPath Ltd., my primary role involved supporting the New Business department in setting up and maintaining various retirement plans. My responsibilities centered on understanding the details of different retirement plans and the workflows, systems, and documentation necessary for their setup. Key responsibilities included:

- **Understanding Retirement Industry Fundamentals**: With guidance from my supervisors, I learned about key aspects of the 401(k) industry, including distinctions between defined benefit and defined contribution plans. This foundational knowledge was essential for executing plan setups accurately and understanding industry-specific processes.
- **Navigating Software Systems**: I worked extensively with two primary software platforms: Unify for retirement plan setup and Relius for recordkeeping and compliance tasks. Becoming proficient with these systems allowed me to manage plan setups effectively, minimizing errors that could impact other departments.
- **Document Interpretation and Processing**: An important part of my role was to gather and interpret documents provided by the sales team, such as Installation Files and setup guides, to ensure accurate data transfer into Unify and Relius systems.
- **Creating and Reviewing Fee Agreements**: I learned to create and review fee agreements, which define the financial terms of each plan. This included understanding the structures of implementation fees and recurring fees and their implications for plan administration.
- **Collaboration and IT Training**: I participated in regular training sessions, including IT security training, to improve technical awareness. I also attended department meetings, where we discussed strategies for managing high-volume periods, assigned responsibilities, and tackled operational challenges as a team.

## 3.2 Examples of Projects and Tasks Completed

Throughout my internship, I worked on various tasks and projects that helped strengthen my practical understanding of retirement plan management and setup. Key projects included:

- **Setting up Solo Admin Plans**: My initial hands-on experience involved setting up Solo Admin Plans, designed for sole proprietorships. Under supervision, I completed these setups in both the Unify test and the live system, ensuring accuracy and minimal errors.
- **Processing RK Partner and Balance Forward Plans**: I was trained in setting up RK Partner plans, where July Business Services collaborates with external record keepers like American Funds, John Hancock. These setups required careful interpretation of setup guides, often containing additional, unique information.
- **Setting up Custom Plus 3(16) Plans**: In this advanced task, I set up bundled plans that provided both administrative and recordkeeping services. This involved managing additional documents, such as advisor questionnaires and custodial agreements, requiring thorough analysis to ensure accurate setup.
- **Defined Benefit Plan Training**: My training extended to defined benefit plans, which offer guaranteed retirement benefits based on salary and years of service. I became familiar with their integration alongside defined contribution plans.
- **Fee Agreement and Welcome Packet Preparation**: I prepared welcome packets and fee agreements toward the end of my internship, ensuring they were accurate and ready for client presentation. Precision was essential, as these documents directly influenced client satisfaction.
- **Meetings and Strategy Sessions**: During strategy sessions with senior team members, I gained insights into workload distribution, prioritization, and collaborative strategies essential for efficient operations, especially in preparation for the busy season.

# Chapter 4

# Key Learnings and Experiences

## 4.1 Retirement System and Policies in the USA

The Employee Retirement Income Security Act of 1974 (ERISA), signed into law on September 2, 1974, introduced a comprehensive statutory framework covering almost all employee benefit plans in the United States. The initial characteristics of retirement plans have been determined, and the way for additional acts that are still active in further developments in the retired plan industry, even today. This body of laws, collectively known as “ERISA,” is synonymous with this comprehensive body of rules and regulations that are aimed at overseeing employee benefit programs.

Retirement plan practitioners are confronted with considerable adversities due to the dynamic environment of qualified retirement plans' applicable laws and regulations. Qualification requirement details and the management of an established plan should be comprehended holistically, including the relevant laws that are often revised, the consequences of such revisions to sponsors and participants, and the demands that need rapid response to such changes being communicated effectively.

Because retirement income plans are motivated by the desire to ensure a regular flow of funds in the future, an employee's lifetime does not present any financial risks. Employees expect a drop in their income once they retire. Such expectations are reversely catered by saving schemes, employer-sponsored pensions, and social security governments' schemes. Generally, the so-called “three-legged stool” supporting retirement income consists of three components; in this case, the author argues that the two legs of this stool are increasingly losing their strength. Children born from the 1980s and onwards are not confident that Social Security will continue to exist and will be able to satisfactorily support them when they become old. Even the current employees are not hopeful that they will create enough personal savings due to the expenses inflating rapidly and the unpredictability of the world economic situation.

Considering such narcissism concerning Social Security and savings, many workers today are adding a fourth leg to the stool – the extending period of working after the retirement age. This additional source of income, whether by choice or necessity, helps individuals remain financially secure, stay active, and compensate for the potential shortfall in other areas of their retirement planning.

## 4.2 Types of Retirement Plans in the USA

The Employee Retirement Income Security Act (ERISA) covers two types of retirement plans:

1. Defined Benefit Plan
2. Defined Contribution Plan

## 4.3 Defined Benefit Plan

A Defined Benefit Plan guarantees a fixed retirement benefit, typically calculated using factors like salary, years of service, and sometimes age. For example, a plan might offer 1% of an employee's average salary for each year of service, allowing for predictable retirement income. Unlike Defined Contribution Plans, whose payout depends on investment performance, Defined Benefit Plans provide certainty regarding the retirement benefit.

The employer is responsible for funding and managing investments, bearing all the associated risks. If investments underperform, the employer must make additional contributions to cover the shortfall, ensuring employees receive their promised benefits. Conversely, good investment performance can reduce the employer's funding obligation.

Employees do not have individual accounts in a Defined Benefit Plan. Instead, contributions go into a common fund managed by the employer, who may hire outside professionals to oversee the investments. Benefits typically begin at retirement age, often 65, and last for the employee’s lifetime, with some plans offering options for spousal or beneficiary payouts.

Additionally, federal protection through the Pension Benefit Guaranty Corporation (PBGC) ensures that even if an employer encounters financial trouble, retirement benefits are still paid, although with certain caps on the payout amount.

Defined Benefit Plans offer long-term financial security for employees, as they shift the investment and administrative burden entirely to the employer, unlike Defined Contribution Plans where individuals take on more risk.

## 4.4 Defined Contribution Plan

A Defined Contribution Plan involves contributions made by the employer, employee, or both into an individual account, typically a percentage of the employee’s earnings. Unlike Defined Benefit Plans, this plan doesn’t guarantee a specific payout at retirement. Instead, the benefit depends on contributions and investment performance.

The account balance fluctuates based on investments in stocks, bonds, or mutual funds, meaning the employee bears the investment risk. Common examples include 401(k) plans for private-sector employees and 403(b) for nonprofit workers. Retirement benefits rely on how well the investments perform, with the potential for both gains and losses.

For instance, if an employer contributes 5% of an employee’s $30,000 salary into their 401(k), that amounts to $1,500 annually. Over time, the account grows based on investment returns. Contributions are usually tax-deferred, with taxes applied only at withdrawal during retirement.

The total benefit equals the accumulated value of contributions and investment returns. While these plans offer flexibility for growth, they require careful management, as poor investment performance can reduce the final retirement balance.

## 4.5 Types of Defined Contribution Plans

There are many types of defined contribution plans. These plans keep up a different record for every individual employee. Every one of these plans defines the commitment sum to be kept into the employee’s record. The employee bears the investment risk that there are no guaranteed benefits to be paid at retirement like in a defined benefit plan. A few types of defined contribution plans are described below:

### 4.5.1 Profit Sharing Plan

A Profit Sharing Plan is a type of defined contribution plan in which an employer makes discretionary contributions to employees' retirement accounts. The amount contributed varies annually and depends on the company’s financial performance. However, employers are not obligated to make contributions yearly, and the company doesn't need to be profitable to allocate funds.

Contributions are distributed based on a formula, often the "comp-to-comp" method, where each employee's share is proportional to their earnings. For instance, if an employer contributes $30,000 and an employee earns $30,000 out of a total compensation of $300,000, that employee receives 10% of the contribution, or $3,000.

Profit-sharing plans provide employers flexibility in adjusting contributions according to their financial situation. Employees benefit from potentially higher retirement savings directly tied to the company's performance. These plans can also be combined with other retirement plans, like 401(k)s, for a comprehensive benefit package.

### 4.5.2 401(k) Plan

A 401(k) Plan is a defined contribution plan allowing employees to defer a portion of their salary into individual retirement accounts. Contributions are typically made pre-tax, reducing the employee's taxable income for the year. Many employers match contributions up to a specific limit, but this is not mandatory.

There are two types of 401(k) plans: traditional and Roth. Traditional 401(k) contributions are made with pre-tax dollars, but withdrawals during retirement are taxed. Roth 401(k) contributions are made after tax, and withdrawals are tax-free during retirement.

Employees have control over their investments, often choosing from mutual funds, stocks, or bonds, directly affecting the account's growth. For example, if an employee earning $60,000 contributes 5% ($3,000) and the employer matches 50% ($1,500), the total contribution would be $4,500 for the year.

The IRS imposes annual contribution limits, which for 2024 are $23,000 for employees under 50, with "catch-up" contributions for those over 50 raising the limit to $30,500. Employers often use 401(k) plans to attract and retain talent due to their tax benefits and investment flexibility.

## 4.5.3 Safe Harbor 401(k) Plan

A Safe Harbor 401(k) Plan is a specialized type of 401(k) plan that simplifies compliance with IRS regulations by exempting employers from certain nondiscrimination tests, such as the Actual Deferral Percentage (ADP) and Actual Contribution Percentage (ACP) tests. These tests ensure that highly compensated employees don't disproportionately benefit compared to lower-paid employees. By meeting specific employer contribution requirements, businesses can bypass these complex tests, making the Safe Harbor 401(k) an attractive option, particularly for small businesses.

A primary benefit of Safe Harbor 401(k) plans is the quick vesting of employer contributions. Employees possess their contributions immediately upon deposit, as contrast to conventional 401(k) programs that may impose vesting timelines. The instant vesting feature serves as a significant incentive for staff retention and satisfaction.

Categories of Safe Harbor 401(k) Contribution Formulas

Employers possess flexibility in their contributions to Safe Harbor 401(k) plans, utilizing three principal formulae.

1. **Basic Safe Harbor (Elective)**: Under this plan, employers match 100% of employee contributions up to 3% of their pay, and 50% of contributions beyond 3% but not above 5%. This framework encourages employees to increase their savings, as more contributions from them result in enhanced employer contributions.
2. **Non-elective Safe Harbor**: In contrast to the Basic Safe Harbor, employees are not required to contribute to qualify for employer payments. The company contributes a fixed 3% of the employee's remuneration, irrespective of the employee's contributions. This plan ensures that all qualifying employees get benefits, regardless of whether they choose to defer their income into the plan.
3. **Enhanced Safe Harbor**: This plan provides a more substantial employer match compared to the Basic Safe Harbor. Employers match 100% of employee contributions up to 4% of compensation, providing an even stronger incentive for employees to participate. The Enhanced Safe Harbor allows businesses to offer more competitive benefits while still meeting IRS requirements.

**QACA Safe Harbor**

A variation of the Safe Harbor plan is the Qualified Automatic Contribution Arrangement (QACA) Safe Harbor 401(k), which includes automatic employee enrollment. In a QACA plan, employees are automatically enrolled at a deferral rate of at least 3% of their compensation. This deferral rate increases annually by 1% until it reaches a minimum of 6%, unless the employee chooses to opt out or modify their contribution rate.

Employers offering a QACA plan must make one of two types of contributions:

- A matching contribution of 100% of employee contributions up to 1% of compensation, plus 50% of contributions between 1% and 6%.
- A non-elective contribution equal to 3% of compensation for all eligible employees, regardless of whether they contribute to the plan.

The QACA Safe Harbor plan particularly appeals to employers who want to encourage higher participation in retirement savings while offering flexibility in contribution structures that align with their financial situation.

In summary, Safe Harbor 401(k) plans provide a practical, compliant, and flexible solution for employers, particularly those running small businesses, while guaranteeing employees vested retirement contributions. Employers can tailor contributions to their financial situation, and employees enjoy simplified savings opportunities without the need to navigate complex IRS regulations.

# Chapter 5

# Critique and Reflections

## 5.1 Pension Policies in Bangladesh

The pension system in Bangladesh traces its roots back to the British colonial era when pensions were introduced in 1924 for government employees. Initially, this system was limited only to the workers in the public sector and advanced significantly through the years. After the country gained independence in 1971, the first sweeping modifications took place in 1972, where pensions were computed using an average of the last pay for 12 months as opposed to the previous method which used an average of the last 36 months' pay. In 1974, this was improved to the extent that pension benefits would be 60% of the final salary upon retirement. Over the years, this maximum amount was adjusted, reaching 80 percent of basic pay in 1977.

However, a significant change in the structure of the pension scheme in Bangladesh came in 1994 when the government streamlined the processes governing the approval of pensions, thereby enhancing the efficiency of public servants. Most government employees were subject to mandatory retirement at 57 years of age, with the government Pension constituting the most important social security for retired civil servants.

Initially, pensions were confined to government employees; however, this practice later expanded to include workers in autonomous institutions, like universities, banks, and nationalized companies. Currently, employees either get their pensions from their employers or, in the case of public personnel, directly from the government. The government implemented supplementary benefits such as gratuity, group insurance, and a benevolent fund to guarantee social security, particularly for individuals unable to work or for the families of deceased employees. This structure ensures financial security for retired employees and their dependents.

## 5.2 Types of Pensions in Public Sector

According to the Bangladesh service rules different types of pensions are allowed by the government for the officials of the public service. These are discussed below:

### 5.2.1 Compensation Pension

The Compensation Pension is granted to government employees who lose their jobs due to the abolition of posts as part of organizational downsizing, aimed at reducing costs and increasing government revenue. Employees in this situation can claim compensation for their past service unless they are reappointed to another post. The pension is only payable if the savings from abolishing the position outweigh the pension costs. Employees who lose special pay or are involved in other roles, such as teachers who also serve in the postal department, are not eligible for compensation pension. Additionally, employees dismissed for reasons unrelated to the post's abolition are not entitled to this pension. If an employee receiving compensation pension is re-employed, they may return the compensation and resume service, although temporary employees are not eligible for this provision.

## 5.2.2 Invalid Pension

The Invalid Pension is provided to employees who are permanently incapacitated—physically or mentally—before reaching the retirement age of 57. The application requires a medical certificate verifying that the employee is unfit for work, and the request must be submitted in a prescribed form. If the employee is abroad, the medical board of the local Bangladeshi embassy will process the application. For those unable to travel, a board may be set up at a location convenient to the employee. The pension is not granted if the invalidity is due to personal misconduct, negligence, or if the employee is discharged for reasons unrelated to medical incapacity. Additionally, once granted, the employee cannot be re-employed in public service, as stipulated in the Public Service Retirement Act 1974.

## 5.2.3 Superannuation Pension

The Superannuation Pension is granted when a public servant retires upon reaching the compulsory retirement age set by the government. According to the Public Service Act of 1974, government employees must retire at 57 years of age. However, certain professions, such as judges and public university teachers, have a retirement age of 65. One issue with this pension system is the lack of accurate birth records for some employees, leading to uncertainties in determining the exact retirement age when the date of birth is assumed.

## 5.2.4 Retiring Pension

The Retiring Pension applies when the government decides to retire a public servant for reasons of public interest after the individual has completed 25 years of service. This decision can be made without providing any explanation to the employee. However, the power to retire someone in this manner rests solely with the government, not with subordinate authorities. If a lower authority wishes to retire an employee, they must propose it to the relevant ministry. For gazetted officers, the President of Bangladesh has the final say.

### 5.2.5 Optional Pension

The Optional Pension allows public servants the right to voluntarily retire after completing 25 years of service. The only requirement is that the employee must give at least 30 days' notice to their appointing authority before the intended retirement date. Once the employee opts for optional retirement, the government is legally obligated to accept the decision, and there is no provision for withdrawing or modifying the request once it is made.

### 5.2.6 Family Pension

The Family Pension is granted to the family of a deceased pensioner. A government servant can nominate one or more family members to receive this pension upon their death. In the absence of a nominee, or if there are no family members present, the pensioner's last controlling authority will decide who among the family should receive the pension. The rules for family pension vary depending on the nominee's relationship to the pensioner. This pension provides financial support to the family after the pensioner's passing.

## 5.3 Pension System in the Private Sector of Bangladesh

The pension system in Bangladesh's private sector is mainly informal, and many companies do not offer comprehensive retirement benefits. However, some organizations, particularly multinational corporations and well-established companies, have introduced structured retirement and employee benefit programs. These programs aim to provide employees with financial security as they transition out of the workforce. While not all benefits fall under the traditional definition of pensions, several initiatives align with retirement savings and post-retirement security.

As I worked at DataPath Ltd., a private company, I would like to share insights into the pension-related benefits they offer to their employees.

### 5.3.1 Provident Fund

At DataPath Ltd., employees are eligible in the Provident Fund upon confirmation as full-time employees. The company requires employees to contribute 6% of their monthly salary to the Provident Fund, and in return, DataPath matches the employee's contribution 100%. This employer match effectively doubles the amount saved each month, helping employees build a robust retirement fund over time.

For instance, if an employee, earns Tk. 50,000 monthly, he would contribute Tk. 3,000 (6%) to his Provident Fund. With DataPath matching this and contributing an additional Tk. 3,000, the monthly total would be Tk. 6,000. The company's matching contributions become completely vested after two years of service, providing employees with a substantial retirement benefit over time.

## 5.3.2 Gratuity

DataPath Ltd. offers a gratuity to workers who complete five years of service. This benefit is a one-time payment equivalent to one month’s basic salary for each year of completed service, determined by the employee’s last basic wage. Gratuity functions as a significant retirement bonus for long-serving employees, acknowledging their dedication and duration of service.

If an employee's basic income after five years is Tk. 80,000, he would be entitled to a gratuity payout of Tk. 400,000 (80,000 x 5), which would provide him with a significant amount upon retirement or exit from the organization.

## 5.3.3 Insurance and Medical Facilities

Although not conventionally regarded as a pension benefit, DataPath Ltd.'s group insurance and medical services offer significant assistance for employees' post-retirement security. DataPath provides medical insurance for employees and their families, in addition to life insurance for full-time regular employees. These advantages offer financial security in unexpected health complications or accidents.

## 5.4 Findings

Retirement policies are crucial in ensuring financial security for individuals once they leave the workforce. These policies are typically shaped by a country's economic, social, and legal structures. This chapter aims to highlight some differences between the retirement policies of the United States and Bangladesh, focusing on aspects such as government regulations, employee contributions, transparency, and the impact of these systems on the respective economies that affect both current and future retirees.

## A Critical Comparison between Retirement Policies in the USA and Bangladesh

- **Government Regulation and Enforcement**

In the United States, the government, through the Department of Labor, has mandated retirement plans for organizations across the board, whether they are government, non-government, or sole proprietorships. Every employer is required to adopt at least one of these retirement plans, ensuring that the entire workforce is covered. In contrast, Bangladesh has some government regulations regarding retirement, but these rules are often not enforced effectively. Retirement policies are mostly limited to government employees, and the private sector lacks any uniform system for retirement benefits.

- **Employee Contribution and Savings Culture**

In the US, employees actively contribute a portion of their income towards retirement plans, which helps them build savings for their post-retirement life. These contributions are often supplemented by employers, and the accumulated funds grow over time due to investments. This ensures financial security during retirement. However, in Bangladesh, only government employees contribute to a provident fund, and there are no similar requirements or incentives for private-sector employees. The savings culture, particularly for retirement, is not as ingrained, leaving many elderly without sufficient savings after retirement.

- **Dependence on Family vs. Self-Reliance**

In the US, retirement savings and benefits empower retirees to live independently without relying on family members for financial support. In contrast, in Bangladesh, it is common for retirees to depend on their children or family due to insufficient savings and a lack of comprehensive retirement benefits.

- **Role in the National Economy**

In the US, retirement plan funds contribute significantly to the national economy by being invested in various sectors, including the stock market, generating a high return on investment. These investments are large because nearly all citizens participate in retirement plans. In Bangladesh, retirement funds play a minimal role in the economy, and their contribution is primarily limited to a small portion of the workforce. This weakens the overall economic impact of retirement savings.

- **Regulations for Highly Compensated Employees (HCEs)**

The US retirement system has regulations that limit the contribution of Highly Compensated Employees (HCEs) to avoid discrimination between HCEs and Non-Highly Compensated Employees (NHCEs). This ensures fairness across different income levels. Bangladesh's retirement policies, however, do not differentiate between these categories, and there is no specific regulation governing how much different income groups can contribute to retirement savings.

- **Transparency and Employee Rights**

US retirement plans emphasize transparency, allowing participants to understand where their contributions are being invested and how much they will receive upon retirement. Strict regulations ensure employees are well-informed about their retirement benefits. In Bangladesh, this transparency is lacking. Government employees often have limited knowledge about the status of their provident funds or how their savings are being managed. This lack of awareness creates uncertainty for retirees.

- **Age of Retirement**

The retirement age in the US is 66 years and two months for those born in 1955, increasing gradually to 67 for those born in 1960 or later, though there are options for early retirement starting at 62 years. In Bangladesh, the retirement age for government employees is 59 years (or 61 years for teachers and freedom fighters), with the option of early retirement after 25 years of service. However, these retirement ages apply only to government employees, while the private sector lacks uniform policies.

- **Private Sector Retirement Plans**

While the US requires retirement plans for all organizations, including private-sector firms, Bangladesh's retirement policies are primarily limited to government employees. Private-sector employees in Bangladesh typically receive gratuity upon retirement, but there are no mandatory pension or retirement plans. This creates a significant gap in retirement coverage for the vast majority of the workforce.

- **Insufficient Retirement Benefits**

In Bangladesh, the amount received after retirement, particularly for non-pensionable public services, is often insufficient to support a dignified standard of living. The Old Age Allowance Program introduced by the government provides minimal support, covering only a fraction of the elderly population. In contrast, the US offers more substantial benefits through various plans, allowing retirees to live more comfortably without financial insecurity.

- **Handling of Terminated or Suspended Employees**

In the US, even if employees are terminated, they are entitled to their vested contributions to the retirement plan up to their termination date. Bangladesh's policies are stricter: if a public servant is dismissed for misconduct, their service is confiscated, and they lose eligibility for pension benefits. Similarly, if employees are suspended, they may lose part of their pension rights for the suspension period, making the system less forgiving than the US model.

- **Lack of a Centralized Pension Authority**

In the United States, a Third Party Administrator (TPA) typically oversees each organization's retirement plan, guaranteeing the effective implementation of policies. The pension programs in Bangladesh are generally administered internally by the respective departments or organizations, lacking a centralized or independent entity to uniformly oversee and enforce retirement benefits across all sectors.

- **Private Sector Workers Lacking Coverage**

In Bangladesh, the lack of a retirement benefit system for private-sector employees results in the majority of workers, who are not government employees, being deprived of organized retirement savings plans. This disparity is especially pronounced in comparison to the US, where practically all workers, irrespective of the industry, own some type of retirement savings.

# Chapter 6

# Conclusion & Policy Implications

My practical work at DataPath has provided me with significant insights into the disparities between the retirement systems of the USA and Bangladesh. The retirement plans in the USA are well-structured and controlled, but Bangladesh's system has obstacles that hinder its effectiveness. From these findings, I have devised some ideas to inform the creation of a more efficient and fair pension policy in Bangladesh. The objective is to synchronize it more closely with the effective methods of the USA, enhancing financial security for retirees nationwide.

## Recommendations to Adopt an Effective Retirement Policy

- **Universal Pension Scheme Implementation**

Bangladesh should implement a universal pension system encompassing both public and private sectors. Mandating retirement plans for all firms will guarantee that employees in various industries have access to retirement benefits. This would enhance financial security for pensioners, diminish inequality, and provide comprehensive coverage akin to the USA's Social Security system.

- **Increase Contributions to the Economy through Pension Funds**

The pension funds accumulated in retirement plans should be professionally managed and invested in the stock market and other ventures, similar to how the USA boosts its economy with retirement investments. This will allow Bangladesh to leverage pension savings for economic growth and financial market stability.

- **Develop Third-Party Administrators (TPAs)**

Bangladesh lacks specialized organizations like the TPAs in the USA, which manage pension funds. Creating such institutions will improve fund management, reduce the burden on employers, and provide transparency and trust for employees. The presence of certified firms to audit and oversee these operations will ensure compliance and integrity.

- **Incentivize Private Sector Pension Plans**

The government needs to implement retirement plans in the private sector to offer benefits to individuals beyond public service personnel. Companies may be incentivized through tax benefits and legal mandates to establish pension programs for their employees. This will guarantee that private-sector employees, who constitute the bulk of the workforce, are included in retirement systems.

- **Promote Employee Awareness and Transparency**

Employees have to possess the right to be informed about the investment and management of their contributions. In the USA, retirement plan participants receive regular updates about their investments, and Bangladesh should implement similar transparency measures. Employees should have access to detailed statements, providing them with clarity about their retirement savings.

- **Legal Provisions for HCE and NHCE**

Bangladesh can reduce income disparities between highly compensated employees (HCEs) and non-highly compensated employees (NHCEs) by implementing nondiscrimination testing, similar to the USA. This will help in creating an equitable environment, ensuring that no employee enjoys an undue advantage over others in retirement contributions.

- **Reduce Bureaucracy and Increase Transparency**

The government should simplify the processes surrounding retirement policies and reduce bureaucratic hurdles. Greater transparency, especially in the contributions and management of retirement funds, will build trust in the system and encourage more employees to contribute towards their pension funds.

- **Extend Retirement Age**

Given the increase in life expectancy, the retirement age in Bangladesh should be re-evaluated. Raising the retirement age will allow for longer contributions and larger pension amounts, reducing the financial burden on the state and providing employees with more substantial retirement benefits.

- **Establish a Central Pension Authority**

A specialized pension authority or institution is required to supervise the administration of retirement funds in Bangladesh. This institution might provide uniform regulations across public and private sectors, enhance fund management, and serve as a regulatory entity for pension administration.

- **Improve Fund Management and Record Keeping**

Bangladesh exhibits inadequate record-keeping for retirement money. The government should create specialist record-keeping firms to ensure precise tracking and administration of pension payments. This infrastructure would enable the effective management of employee retirement savings and adherence to legal obligations.

- **Increase Self-Dependency through Provident Fund Contributions**

A culture of self-sufficiency may be fostered by motivating employees to participate in provident and pension funds. Policies like those in the USA, when individuals depend on personal resources for retirement, will assist Bangladesh in diminishing reliance on family members or offspring in the old life.

- **Increase the Sufficiency of Retirement Funds**

Retirement benefits must be adequate for retirees to maintain a comfortable lifestyle. The government must guarantee that contribution ceilings are sufficiently elevated to yield substantial returns, enabling pensioners to maintain their livelihoods without financial distress. Investing pension funds in diversified and high-return assets will also help maximize retirement savings.

By adopting a well-regulated retirement system inspired by the USA, Bangladesh can offer its citizens a comprehensive and secure retirement scheme. The recommendations focus on creating an inclusive pension system, incentivizing contributions from both private and public sectors, enhancing fund management, and promoting transparency. These steps will not only provide financial security for retirees but also contribute to the nation’s economic growth and stability.

## Concluding Insights on Retirement Policy Adoption

Bangladesh faces significant challenges in its retirement benefits system, particularly in the private sector. While government employees enjoy the security of a pension, most private sector workers lack access to any structured retirement plan. This disparity highlights the need for reform. By adopting some aspects of the U.S. retirement system, such as mandatory pension schemes for all employees, professional fund management, and transparent oversight, Bangladesh can make meaningful improvements toward ensuring financial security for all its citizens. Reforming the existing system could also contribute to the nation's economy, creating jobs in asset management and stimulating investment in local markets.

A comprehensive retirement policy is vital for both social equity and economic growth. Given increasing life expectancy and societal changes, the current reliance on family support for the elderly can no longer be sustainable. Ensuring a fair and adequate pension system for both public and private sector employees will uphold social justice and reduce dependency on family members, fostering a sense of self-reliance in old age.

If Bangladesh implements these changes, it could usher in a new era of economic empowerment and social security for its aging population. The insights from the U.S. retirement system provide a crucial framework for constructing a resilient, inclusive, and forward-looking pension system. This shift, however arduous, would be a tremendous accomplishment for the nation and a substantial advancement toward safeguarding and empowering its labor force.

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# Appendix

**DAFFODIL INTERNATIONAL UNIVERSITY**

Faculty of Business and Entrepreneurship (FBE)

Department of Business Administration

# Internship Log Book

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|---|---|---|---|
| Student's Name: | Md. Zubair Bin Rashid | Internship Site: | Rupayan Shopping Square, Sayem Sobhan Anvir Rd, Bashundhara, Dhaka 1229 |
| Supervisor's Name: | Jahid Hasan Bhuiyan | Week Beginning: | 01 August, 2024 |
| Internship Coordinator/Advisor: | Dr. Mohammad Rokibul Kabir | | |

**Summary of Internship Activities (Maximum 200 words)**

Throughout my 12-week internship at DataPath Ltd., I acquired valuable knowledge regarding the retirement industry, particularly the 401(k) sector. My journey started with an orientation and initial introductions to the company's operations, followed by practical training under the guidance of senior team members. I acquired proficiency in essential software systems such as Unify and Relius, concentrating on setting up different types of retirement plans, including Admin Solo, RK Partner, Balance Forward, and Defined Benefit plans.

I refined my abilities by collecting and interpreting essential documents such as setup guides and service agreements, ensuring the accurate setup of plans. The training encompassed to understanding bundled services, where July Business Services offers both administrative and recordkeeping services. Furthermore, I engaged in IT security training and team discussions, preparing for the upcoming busy season

My internship has been an immersive experience, enhancing my understanding of the retirement plan setup process, honing my technical abilities, and equipping me to contribute effectively during high-pressure periods.

### Week 01 (1st August to 7th August)

This was my inaugural week as an intern at DataPath Ltd. On the first day, I went through an orientation with other interns, which was conducted by an HR Executive. He gave us a short introduction of the company and introduced us to the directors and department managers. After the orientation, we met Sayef Kamruzzaman Bhaiya, Assistant General Manager (AGM) of Recordkeeping, New Business and Business Development departments. He briefly described the departments he oversees and what our job would entail.

Subsequently, he assigned me and another intern to the New Business department. This is one of the predominant departments in DataPath Ltd., as they are responsible for setting up and maintaining the system in which retirement plans operate. Then, I met with my reporting supervisor, Jahid Hasan Bhaiya, the Assistant Manager of the New Business department. He introduced us to the rest of the team, and we received a warm welcome from all the members.

### Week 02 (8th August to 14th August)

In my second week, I obtained my workstation credentials and gained access to the software and websites that are used in the company's daily operations. Jahid Bhaiya initiated my training, which began with an introduction to the 401(k) retirement industry and an overview of the company's core operations. He further educated me throughout the week about the basic rules and regulations of the industry, thereby enhancing my understanding of it. I got more comfortable with the office environment and its culture as well.

### Week 03 (15th August to 21st August)

This was my third week as an intern at DataPath Ltd. Once we had a grounded knowledge of how things work in 401(k) industry, we were assigned to Iftekhar Newaz Bhaiya, the Team Leader of our department. Our practical training commenced under his guidance.

We were shown to a system called 'Unify,' where all of our retirement plans are installed, stored, and maintained. Our first goal there was to learn how the system worked and set up plans within it. It was a very important task because if there were any mistakes on our end it could have a ripple effect across other departments. Therefore, ensuring accuracy became our top priority.

**Week 04 (22$^{nd}$ August to 28$^{th}$ August)**

This was my fourth week as an intern at DataPath Ltd. We initiated the week with the intention of acquiring a fundamental understanding of the process of setting up a plan in Unify. To set up a plan, we rely on information provided by the sales team, which comes in the form of documents collectively known as Installation Files.

Among these, the most important document is the setup guide, where the plan sponsor provides all the necessary information about the plan. We learned how to collect these files and how to interpret them to extract the required information for setting up a plan accurately.

**Week 05 (29$^{th}$ August to 4$^{th}$ September)**

This was my fifth week as an intern at DataPath Ltd. After learning how to collect and interpret documents, we navigated 'Unify Test,' a mirror version of Unify where any changes do not affect the live plans. I spent a few days doing trial setups on the test website to assess my learning progress.

Initially, we focused on learning about Admin Solo plans, which are designed primarily for sole proprietorships where July Business Services provides administrative services. Later in the week, I had the chance to set up my first solo admin plan in the live system with real-time data. I effectively completed the initial plan setup in Unify with a minor margin of error.

**Week 06 (5$^{th}$ September to 11$^{th}$ September)**

This was my sixth week as an intern at DataPath Ltd. This week, we learned about RK Partner and Balance Forward plans, where July Business Services works with recordkeeping partners like American Funds, John Hancock, Empower to provide recordkeeping services in a plan.

We explored the differences between Solo Admin Plans and RK Partner/Balance Forward Plans. The setup guide for these plans is more detailed, including additional information to consider during the plan setup procedure. We successfully set up an RK Partner Plan with minimal errors after a few days of training and practice in the Unify Test.

### Week 07 (12$^{th}$ September to 18$^{th}$ September)

It was the seventh week of my internship at DataPath Ltd. This week, the IT department held a crucial IT training session. We learned about security awareness—how to create strong passwords and spot phishing emails to prevent potential cyber-attacks. The primary goal of the training was to improve our technical expertise so that we could safeguard our workstations from any potential attacks.

Alongside this training, we continued to be assigned plan setups based on different plan types and learned more about the exceptions to watch out for during the setup process.

### Week 08 (19$^{th}$ September to 25$^{th}$ September)

By the eighth week, we began focusing on defined benefit plans, which are different from the defined contribution plans we had been working on before. In defined benefit plans, the corporation guarantees that a certain level of income will be paid during retirement based on predetermined factors such as the employee's salary and number of service years. This differs from the defined contribution plans, where retirement income is proportional to the contributions made and returns on investment.

These defined benefit plans often come as a combo, with the defined benefit plan being linked to a defined contribution plan. Similar to RK Partner and Balance Forward plans, Defined Benefit and Cash Balance plans also have specific exceptions to consider during the setup process.

### Week 09 (26$^{th}$ September to 2$^{nd}$ October)

This was my ninth week as an intern at DataPath Ltd. During this week, we were introduced to a software called 'Relius.' Relius is a leading platform used by employee benefit professionals to manage recordkeeping, administration, compliance, document generation, testing, and reporting for qualified retirement and health benefit plans.

Except for Admin Solo Plans, all other plan types need to be set up in Relius. We received in-depth training on how to create and modify company, plan, and contact information within the system. Going forward, we will be responsible for doing these tasks in Relius alongside our regular Unify setup tasks.

### Week 10 (3rd October to 9th October)

This was my tenth week as an intern at DataPath Ltd. During this week, we learned about Custom Plus 3(16) plans. Up until now, we have been working with Admin plans, where July Business Services only provides administrative services. However, Custom Plus 3(16) plans are bundled, meaning that July Business Services provides both administrative and recordkeeping services.

Along with the usual setup guide, we also receive some additional files like advisor questionnaires, custodial agreements, and census files. We learned how to interpret these files and set up the plans accordingly. After understanding the differences between Admin and Bundled plans, we were assigned to complete a custom plan setup ourselves.

### Week 11 (10th October to 16th October)

This was my eleventh week as an intern at DataPath Ltd. This week, we learned about Welcome Packets and Fee Agreements. Welcome packets are a set of documents that offer a comprehensive overview of the plan. These files are presented to plan sponsors in order to facilitate their comprehension of the plan in which they are enrolling. Since these go directly to clients, it’s super important that they’re created without any mistakes.

Fee agreements are also a critical part of the plan, as they track the plan's associated fees. There are two main types of fees: the implementation fee, also known as the setup fee, which is charged once during the plan setup, and the core recurring fee, which is charged monthly/quarterly/annually based on the plan’s requirement as long as it remains active. We learned how to create agreements for recordkeeping, advisory, and fiduciary services. The precision in formulating these agreements is essential, as they are forwarded immediately to the Fee Agreement department for additional processing. Errors on our part can impact the operations of that department.

### Week 12 (17th October to 23rd October)

This marked the twelfth week as an intern at DataPath Ltd. Alongside our usual tasks, we had a few important meetings with senior team members. At the beginning of the week, we met with Shakhawat Chowdhury Bhaiya, our department's Director. During the discussion, he addressed some current issues related to our work and listened to any challenges if we are facing in our day-to-day tasks. He concluded the meeting on a positive note, expressing his confidence in our team's capabilities and wishing us success moving forward.

Later in the week, we had a meeting with the Team Leader Iftekhar Newaz Bhaiya about planning for the busy season. In our department, the interval from November to January is regarded as the busy season because the volume of plans significantly escalates towards the year's conclusion, concomitantly increasing our workload. To facilitate seamless operations throughout this period, he specified the tasks of each team member, ensuring that all are adequately prepared and no one feels overburdened when the pressure rises.

As the week concluded, I mentally prepared myself to face the busy season with an optimistic outlook, a readiness to learn, and a will to endure.