



MITHRAS  
CONSULTANTS

*An Actuarial Consultancy Firm*

Founder and Actuary

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- Mithras Consultants is an Actuarial Consulting firm specializes in actuarial valuation of employee benefits. We provide actuarial valuation for:
    - End of Service Benefits (EOSB)
    - Leave Encashment
    - Pension
    - Valuation of Non Traditional benefits: ESoP valuations, Warranty valuations, medical benefit schemes, Long term incentive plans etc.
  - We serve all industry verticals – Healthcare, Banks, Insurance, Chemicals, IT, manufacturing, Oil and gas, Property constructions, travel, transport, logistics, courier, Metals, Energy, jewelry, entertainment, pharmaceuticals etc.
  - Our experience helps us enrich our clients understanding of employee benefit requirements, and we research the employment trends across the whole gamut of economic activity to find solutions.
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## Experience



Mithras presence from 2015 with over 60 years of cumulative team experience

## 1200+ clients



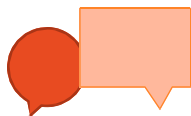
Providing tailored business solution as per clients' requirements

## Global Presence



Serving clients from all over world with our actuarial expertise and further expanding

## Expertise



A team of qualified actuaries supported by well trained team of 8 partly qualified actuaries

## Robust Process



Over years, we have invested in the secure systems which has resulted in well integrated processes and quickTAT.

## Detailed reports



Well documented with complete disclosures and analysis; satisfying auditors need

# UAE End of Service Gratuity Payments

In UAE, gratuity is governed by Minister of Human Resources and Emiratization

The UAE Labour Law, No. 7, applies to all employers in the UAE and specifies a predetermined list of end-of-service benefits (EoS) for employees, including gratuity.

## ***What are End of Service Benefits in UAE?***

- Once an employee's employment in the UAE is terminated, they are eligible for gratuity payments.
- Regardless of their position, eligible workers in the UAE receive an EOS benefit or service gratuity payment, which is mandatory under the UAE Labour Law.
- This end-of-service gratuity payment is based on the employee's past basic wage. As a result, allowances like housing, transportation, utilities, and furnishings will not be considered.

# Three Key aspects for gratuity

## Contract Type

- The First thing to look for is whether your employer has a limited or unlimited contract since the calculations vary depending on the type or employment contract.

## Basic Salary per day

- Basic Salary is an essential parameter for setting the end service gratuity pay. To determine the Basic Salary per day, divide the monthly basic pay of the employee on the payslip by 30.

## Reason for termination of the contract

- The Gratuity calculation amount would vary based on whether or not you, as the employer, terminates or the employee resigns while under the contract.

# Amount of Gratuity Payable

## Under limited contract

An employee who has spent one year or more in continuous service shall be entitled to an end of service gratuity upon the termination of his service. The days of absence from work without pay shall not be included in the calculation of the period of service and the gratuity shall be calculated as follows:

- If an employee has served for less than 1 year, he is not entitled to any gratuity pay.
- If an employee has served for more than 1 year but less than 5 years, he is entitled to full gratuity pay based on 21 days' salary for each year of work.
- If an employee has served more than 5 years, he is entitled to full gratuity of 30 days' salary for each year of work following the first five years.

In all cases, the total gratuity shall not exceed the wage of two years.

# Amount of Gratuity Payable

## Under Unlimited contract

In the event where the employer terminates an unlimited contract, calculation will be as follows:

If an employee has served for less than 1 year, he is not entitled to any gratuity pay.

If an employee has served more than 1 year but less than 5 years, he is entitled to 21 calendar days' basic salary for each year of the first five years of work.

If an employee has served more than 5 years, he is entitled to 30 calendar days' basic salary for each additional year, provided the entire compensation does not exceed two years' pay.

In the event where the employee under an unlimited contract resigns, calculation will be as follows:

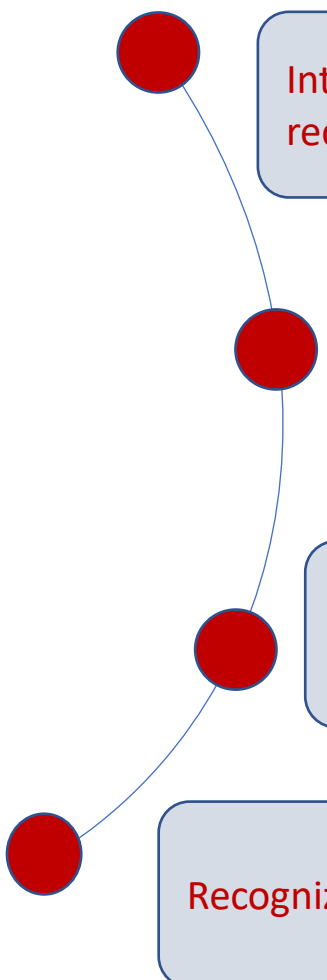
If an employee resigns before completing 1 year of service, he is not entitled to any gratuity pay.

If an employee has served between 1 and 3 years, he is entitled to one third ( $1/3$ ) of 21 days' basic salary as gratuity pay.

If an employee has served between 3 and 5 years, he is entitled to two-thirds ( $2/3$ ) of 21 days' basic salary as gratuity pay.

If an employee has served more than 5 years, he is entitled to full 30 days' basic salary for each additional year

# Need of Actuarial valuation



International accounting standard IAS 19 R requires liability to be recognized and booked in the Balance sheet

Appropriate amount of provision ensure that gratuity liability is paid when due

The level of funds required to back your employee benefit liabilities

Recognizing gratuity liability in books boost Employees confidence



# What is an Actuarial valuation

***An actuarial valuation** is assessment of company's future liabilities on valuation date. This is calculated on the company specific set of assumptions which the company provides based on the historical data. The actuarial valuation ensures that company is estimating its future liabilities in respect to employee benefits as per the applicable accounting standard and making provision in the company's P&L and recognising re-measurements in Other Comprehensive Income (OCI).*

***An actuarial valuation gives the company insight to:***

*Defined benefit obligation, which present the sum of each eligible employee's accrued liabilities based on accrued service but also the projected salary at each potential future exit.*

*Service cost, which represents the sum of each eligible employee's service cost, calculated as the present value if the employee's benefit expected to accrue during the financial year.*

# Method Used for calculations

*Gratuity is a defined benefit plan.*

*Under defined benefit plan, the liability is determined by discounting the estimated future outflows using market yield at the end of reporting period.*

*This method is called **Projected Unit credit method.***

# Our Valuation process

## Step 1

- Collect and validate data in detail
- Reconciliation of data from last years' (period) valuation
- Queries related to data, if any shared with client and resolved

## Step 2

- Company provide the assumptions based on the historical experience
- Financial assumptions: discount rate, salary escalation rate, expected return on planned assets
- Demographic assumptions: attrition rate, retirement age, mortality table.

## Step 3

- Perform actuarial valuation and generate result; draft report is shared with the client
- Discussion of the draft report with client/ auditors; resolve all queries

## Step 4

- After confirmation from client, both soft and hard copy of the actuarial report shall be shared on clients address along with invoice

*Thank You*