

Board Note — Approval to Establish Irrevocable Gratuity Trust & Enter Group Gratuity Insurance Policy

Date: [Date]

From: CFO

To: Board of Directors

Subject: Approval to Establish Irrevocable Gratuity Trust and Enter Group Gratuity Insurance Policy

Background

- [Company Name] employs ~[Headcount] across [States]. Gratuity is a statutory, defined-benefit obligation. Current approach: [Unfunded/Trust/Insurer].

Proposal

- Establish/activate Irrevocable Gratuity Trust; appoint Trustees.
- Enter Master Group Gratuity Policy with [Insurer] (or shortlist LIC/HDFC Life/ICICI Pru/SBI Life).
- Contribute ₹[Initial] upfront and ₹[Annual] per actuarial recommendation; optional death-in-service cover with sum-at-risk ₹[x].

Business Case

- Compliance: state rules increasingly mandate insured/approved funds.
- Tax: contributions deductible u/s 36(1)(v); provisions disallowed u/s 40A(7).
- Finance: smooth cash flows; reduce P&L volatility; earn fund returns; better claim TATs.

Financials (Illustrative)

- Latest actuarial liability ₹[x]; plan assets ₹[y]; funding ratio [y/x]%.
- Contribution plan: ₹[Initial] now; ₹[Annual] for [N] years.
- Expected crediting rate [x]% (traditional) or target mix (ULIP).
- Tax shield \approx ₹[Contribution \times Tax rate].

Risks & Mitigations

- Investment risk (ULIP) \rightarrow conservative allocation + rebalancing.
- Operational risk \rightarrow broker-led onboarding, SLAs, quarterly governance.
- Surrender/transfer charges \rightarrow negotiated waivers; time the switch.

Resolutions Sought

- 1) Approve creation of Irrevocable Gratuity Trust; adopt Trust Deed & Scheme Rules.
- 2) Appoint Trustees: [Names].
- 3) Authorize CFO/CHRO as signatories; open Trust bank account.
- 4) Authorize entering Group Gratuity Policy with selected insurer; finalize commercials.
- 5) Approve contributions per actuarial note; include in annual budget.

Attachments

- Draft Trust Deed, RFP summary, 21-Day Go-Live Timeline