

6th Capacity Building Seminar on Retirement Benefits

Pllazio Hotel, Gurugram

14th March 2019

Updates on NPS / APY / New Mega Pension Yojana

Shri Supratim Bandopadhyay,
Whole-Time Member(Finance), PFRDA



Agenda



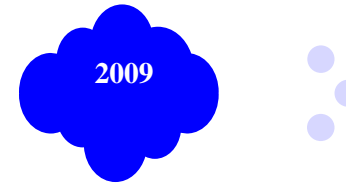
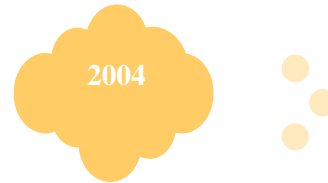
- About PFRDA
- System Architecture
- Schemes
- NPS Features
- Updates - policy changes
- APY Features
- Comparison - APY & PMSYM
- Grievance Redressal Mechanism

About PFRDA



Between 2004-2008:
NPS contributions
maintained by CPAO held
at GoI public account got
fixed return of 8%

May 2009
extended to all
citizens of India



February 2003
Announcement
of National
Pension System
(NPS)

November 2003
Notification issued
extending NPS to
employees of
Central Autonomous
Bodies'

Oct--Dec 2003
An ordinance
promulgated setting
up a statutory
Pension Fund
Regulatory and
Development
Authority

May 2015
Launch on APY



1st Feb 2014
Notification of
PFRDA Act

September 2013
PFRDA Act
passed by both
the Houses of
Parliament



September 2010
launch of NPS-
Lite for
economically
disadvantaged
section of society



December 2011
launch for
Corporate
employees

About PFRDA



- Regulate and ensure orderly growth of NPS & other pension schemes.
- Registering and regulating the intermediaries.
- Protecting interest of subscribers viz. safety of contribution, ensuring intermediation and operational costs are economical and reasonable.
- Establishing mechanism for redressal of grievances
- Promoting professional organisations connected with pension system, research and projects.
- Educating subscribers and the general public on issues relating to pension, retirement savings and related issues and training of intermediaries.

About PFRDA



- Dissemination of information about performance of pension funds and benchmarks
- Adjudicating of disputes between intermediaries and subscribers.
- Residuary powers like inspection, conducting inquiries, investigation, audit.
- Powers of Civil Court for examining persons, inspection of books, register etc. Powers of restrain, impounding and retaining proceeds etc.
- Appoint Investigating Authority for conducting investigation in case of violation of Act, rules or regulations.
- Can supersede the board of intermediary, appoint or recommend to Central Government to appoint, Administrator in case of CRA or Pension Fund

Schemes



Scheme for Central and State Government Employees

Pattern of investment guided by GoI directives for non-government provident funds, superannuation funds, and gratuity funds

Scheme for all citizens and corporate employees

Asset Class E (equity market instruments) subject to a maximum of 75%
Asset Class C (fixed income instruments)
Asset Class G (government securities)
Asset Class A (alternate investments) subject to a maximum of 5%

Scheme for weaker sections of society

NPS Lite with “Swavalamban” benefit

Government of India Social Security Pension Scheme

Atal Pension Yojna

Schemes



As on 02-Mar-2019

Sector	No. of subscribers (in lacs)	AUM (in crores)
Central Government	19.78	105,008
State Government	42.74	151,067
Corporate	7.86	28,962
All Citizen Model	8.66	8,575
NPS Lite	43.65	3,304
APY	144.09	6,428
Total	266.79	303,344

Schemes



Average Returns as on 01-Mar-2019

Asset Class	3 Years	5 Years	Inception
Equity	14.92%	12.33%	10.61%
Corporate Bonds	8.46%	9.83%	9.51%
Govt. Securities	9.30%	10.66%	8.73%

Schemes	3 Years	5 Years	Inception
Central Govt.	9.55%	10.46%	9.57%
State Govt.	9.49%	10.50%	9.40%

Features



ENTRY

- Any citizen of India aged 18-65 years
- Application & KYC submission
- Onboarding through Online or Physical modes.

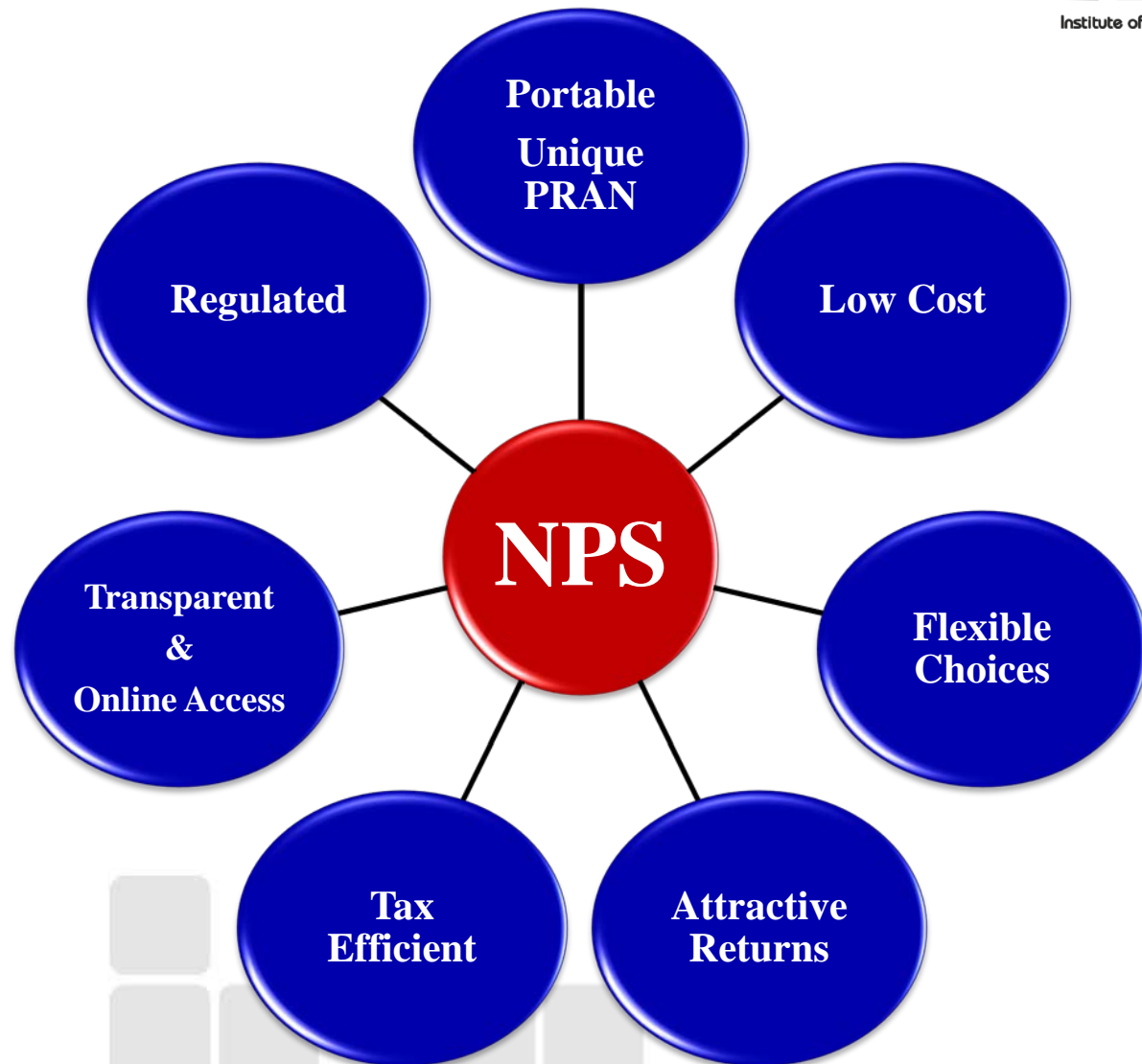
ACCUMULATION

- Regular contributions by self and /or employer
- Investments managed by professional Pension Funds
- NAV based returns

EXIT

- Normal at 60 years or superannuation age.
- Min. 40% Annuity purchase & Max. 60% lump-sum
- Premature with 80% Annuity purchase & 20% lump-sum
- Partial withdrawal 25% after 03 years with conditions

Features



Features – Tax incentives



- **Tax benefits available on both employee and employer contributions.**
 - NPS contributions are permitted as deduction from taxable income upto 10% of salary (Basic + DA) or 20% of Gross Income - u/s 80 CCD (1) of IT Act, within overall ceiling of Rs.1.50 Lakh u/s 80 CCE of IT Act.
 - If the employer also co-contributes towards the NPS of the employee, deduction up to 10% of salary (Basic + DA) is available to the employees u/s 80 CCD (2), with no monetary ceiling.
 - Additional deductions allowed u/s. 80CCD (1)(B) subject to maximum of Rs. 50,000/- over and above the Rs.1.50 lakh ceiling u/s 80C.
 - Employer can claim contributions made towards NPS upto 10% of salary (Basic + DA) for each employee without any overall limit as Business Expense u/s 36(1)iv(a) of the IT Act.
- **Amount utilized for purchase of annuity on exit (minimum 40% mandatory) and 40% of the total corpus paid as lumpsum at the time of exit is not treated as income.**
- **Goods and Service Tax (1.8%) is not applicable on annuity purchase.**
- **Partial withdrawals are tax exempt**

Features – Recent Announcements



Union Cabinet on 6 December, 2018 has approved the following:-

- Enhancement of mandatory NPS co-contribution by Central Government for its employees under NPS from the existing 10% to 14%. *(notified)*
- Extending choice for selection of Pension Funds and pattern of investment to central government employees. *(notified)*
- Payment of compensation for non-deposit or delayed deposit of NPS contributions during 2004-2012. *(notified)*
- Tax exemption limit for lump sum withdrawal on exit enhanced to 60% from the existing 40%. The entire lumpsum withdrawal will be exempt from income tax. *(notification awaited)*
- Contribution by the Government employees under Tier-II of NPS will be covered under Section 80 C for deduction up to Rs. 1.50 lakh for the purpose of income tax at par with the other schemes such as General Provident Fund, Contributory Provident Fund, Employees Provident Fund and Public Provident Fund provided that there is a lock-in period of 3 years. *(notification awaited)*

Features – Policy changes



Maximum Entry Age in the NPS increased from 60 years to 65 years *for enabling individuals to join at later stage of working life and avail benefits*

- Any Indian Citizen (resident or non-resident) aged between 60- 65 years can join NPS and continue up to the age of 70 years.
- Subscriber joining after 60 years have the same choices of the Pension Fund and investment.
- Exit rules for subscribers joining after 60 years are different as exit prior to completion of 3 years are treated as premature exit.

Continuation of NPS on attaining superannuation age and Deferment of withdrawals and annuity purchase *for safeguarding subscribers from involuntary exit on attaining superannuation age during unfavorable market conditions.*

- Option to continue till 70 years and make contributions.
- Option to defer withdrawal of eligible lump sum amount till the age of 70 years and permitting withdrawals of the same in 10 annual installments.
- Option to defer Annuity purchase for a maximum period of 3 years.

Features – Policy changes



Revision in Asset Class/Investment Options *for providing more flexibility of choices offered under NPS.*

- change of Pension Fund or asset classes i.e Pension Fund once and twice asset allocation in a financial year.
- 02 additional Life cycle funds were introduced i.e Aggressive Life Cycle Fund (LC75), wherein equity exposure starts with 75% and gradually decreases every year after 35 years of subscriber and Conservative Life Cycle Fund (LC25), wherein the equity exposure is restricted to 25% and decreases gradually after 35 years of subscriber.
- Introduction of a new class of Asset “A” (Alternative Investment) with a cap of maximum 5% investment by subscribers willing to take risks.
- Increase of Equity Cap under Active Choice to maximum 75% from existing 50%. under Scheme E. However, subscriber on attaining 50 years of age, this limit is gradually tapered down from 75% to 50% upon 60 years of age.

Features – Policy changes



Reduction in Minimum NPS contribution requirement in a financial year from Rs. 6000/- to Rs. 1000/- for NPS – Private Sector *for encouraging access of NPS to all segments of the society including the informal sector.*

Revision in guidelines for Tier-I partial withdrawals *for providing flexibility and to provide support during contingencies.*

- lock-in period for partial withdrawals reduced from 10 years to 3 years.
- existing requirement of 5 years gap for applying for the next partial withdrawal has been dispensed with and maximum 03 withdrawals permitted during the entire period of NPS
- Inclusion of additional reasons (Skill Development / Establishment of own venture or any start-ups) for partial withdrawals.

Features - Costs & Fees



Intermediary	Charge head	Service Charges*		
		Private	Govt.	Lite/APY
CRA	Opening charges (<i>units cancellation</i>)	NSDL Rs 40 or Karvy Rs 39.36		Rs 15
	Annual Maintenance (<i>units cancellation</i>)	NSDL Rs 95 or Karvy Rs 57.63		NSDL Rs 25 or Karvy Rs 14.40
	Charge per transaction (<i>units cancellation</i>)	NSDL Rs 3.75 or Karvy Rs 3.36		Free
POP	Initial subscriber registration and contribution upload (<i>upfront</i>)	Rs. 200	NA	NA
	Any subsequent transactions (<i>upfront</i>)	0.25% of contribution, Min. Rs 20 Max. Rs 25000 Non-Financial Rs 20	NA	NA
	Persistency (<i>units cancellation</i>) > 6 months & Rs 1000 contribution	Rs 50 per annum	NA	NA
	Contribution through eNPS (<i>upfront</i>)	0.10% of contribution, Min. Rs 10 Max. Rs 10000	NA	NA
Trustee Bank		NIL		
Custodian	Asset Servicing charges (NAV)	0.0032% p.a for Electronic segment & Physical segment		
PF charges	Investment Management Fee (NAV)	0.01% p.a.	0.0102% p.a.	
NPS Trust	Reimbursement of Expenses (NAV)	0.005% p.a		

* For Govt employees, CRA charges are paid by the respective Govt.

Features - Costs & Fees



Charge Ratio and Equivalent Asset Fee under NPS

Particulars	Private	Government	Lite/APY
Charge Ratio	4.75%	0.72%	0.93%
EAF	0.169%	0.025%	0.032%

Assumptions

Monthly Contribution – Rs 1000; Return on Contribution – 8%

Contribution Period – 40 years, Maximum of CRA & PoP charges

“Charge Ratio” measures the impact that any type of administrative charge can have on the final balance after the accumulation period versus the hypothetical balance that could be obtained if no administrative fees were charged at all.

“Equivalent Asset Fee” (EAF) is the annualized charge over assets which would have generated exactly the same final asset accumulation as the actual combination of charges during the accumulation period.

For enabling standardized international comparison of fees due to existence of diversity of charges across countries, International Organisation of Pension Supervisors (IOPS) had introduced the concept of “Charge Ratio” and “Equivalent Asset Fee”

Charge Ratio – Australia 13%, Korea 10.01%, Poland 12.7%, Peru 15.8%

Features – Policy changes



Enabling transfers of amount from Recognized Provident Fund / Approved Superannuation funds to NPS *for increasing the coverage of NPS and bringing the pension schemes not regulated by any other enactment and enabling Corporates having Superannuation scheme to shift their employees to NPS.*

Pension Funds are allowed to market/sell NPS by obtaining PoP registration – Pension Funds that were established solely with the purpose of undertaking NPS business (ie fund management) are permitted to function as an additional channel of distribution for NPS.

Retirement Advisors - RA Regulations notified for enabling Individuals and Entities to function as ‘Retirement Advisor’ for distributing NPS.

Hosting of an online platform (eNPS) by NPS Trust – online platform of NPS Trust enables individuals to open Individual Pension Account and make initial or subsequent contributions using netbanking and debit/credit cards.

Adoption of online solutions by PoPs – inspired by the eNPS model, POPs are encouraged to roll out online module for NPS account generation and servicing its clients.

Online web access



NPS TRUST National Pension System Trust Home About NPS FAQs Contact Us eNPS

View online Subscriber Registration Demo. || Government employees who are mandatorily covered under NPS shall approach their nodal office for PRAN generation. ||

Welcome to eNPS Portal

[Join NPS](#) [Contribution](#) [Tier II Activation](#)

[Steps to Join](#) [Steps to Contribute](#) [Steps to Activate Tier II A/c](#)

[Login for existing Subscribers](#)

Be young when you retire
Retirement is not the end, it's a new beginning with NPS
Toll Free Helpline
1800-208-1516

NSDL Central Recordkeeping Agency

Welcome Subscriber-110081848905 11-Jun-2018 Home | Logout

Transaction Security Account Details Grievance Transaction Statement Exit Withdrawal Request Views User Maintenance Update Details Contribute Online

Welcome to Central Recordkeeping Agency

Subscriber is required to purchase the annuity at the time of Exit. To view annuity quotes, please click here [View Annuity Quotes](#)

If you have not activated NPS Tier II A/c, you can activate the same and contribute/withdraw as many times as you want. Kindly

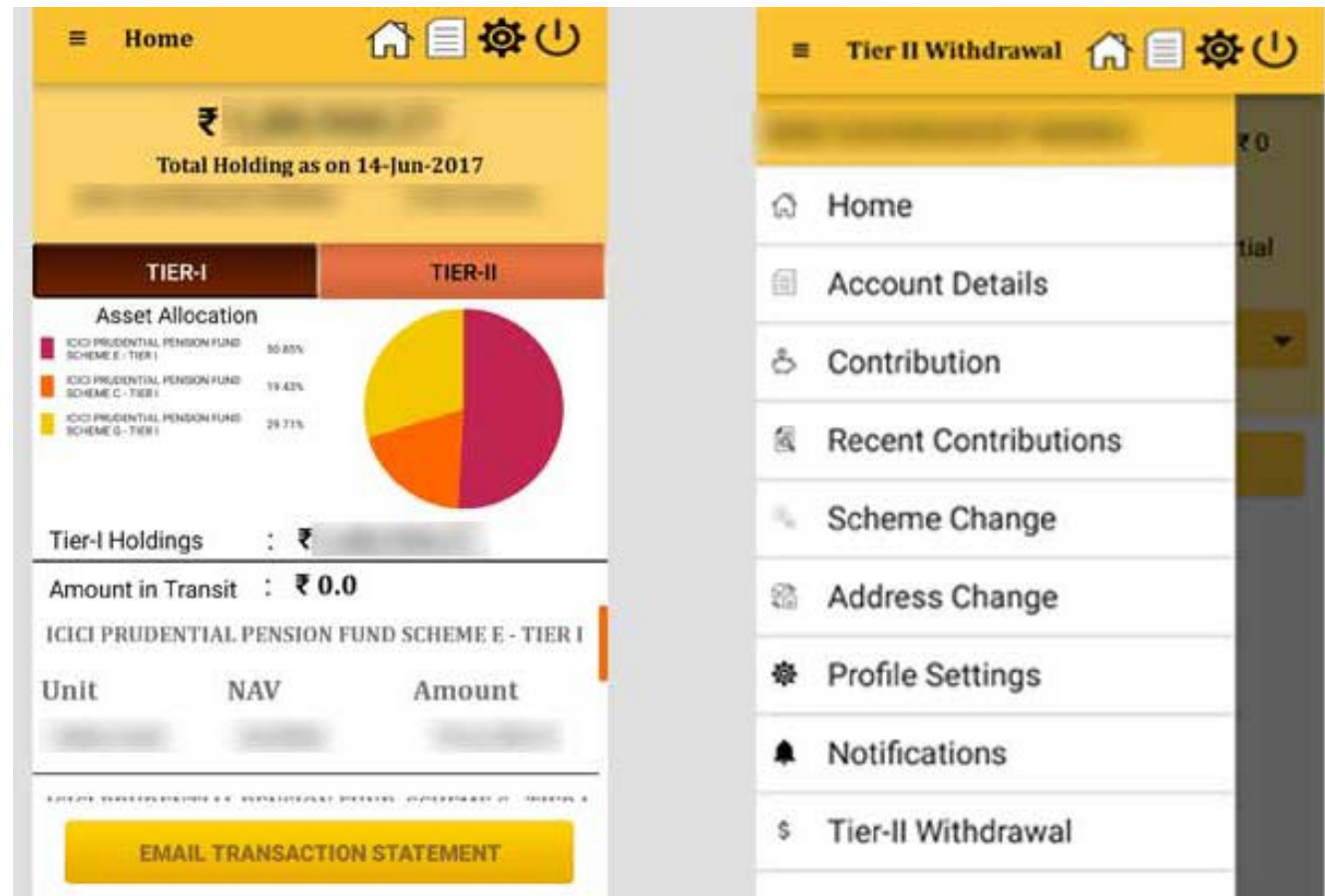
If you are non-FATCA compliant, Self-induced contribution & Withdrawal will not be allowed. To submit online FATCA, go to FATCA Self-Certification under Transaction menu

You may update Aadhaar/ Mobile in your PRAN to utilize OTP & Aadhaar based operations under NPS. If you want to link your Aadhaar now, go to [Update Aadhaar/Address details](#) under [Update Details](#) menu & click on [Add/Update Aadhaar Number](#), for updating Mobile number, click on [Update Contact Details](#)

Home | Contact Us | System Configuration | Entrust Secured | Privacy Policy | Grievance Redressal Policy

Best viewed in Internet Explorer 7.0 & above or Mozilla Firefox Ver 3 & above with a resolution of 1024 X 768

Mobile App available on Android / iOS platforms



APY - Features



- ❖ Minimum guaranteed Pension of ₹1000, ₹2000, ₹3000, ₹4000, ₹5000 at 60 years.
- ❖ Same pension payable to Spouse after death of Subscriber.
- ❖ Return of pension wealth to nominees after death of spouse.
- ❖ All Citizens aged between 18-40 years are eligible to join through any Bank where savings banks account is maintained.
- ❖ Contributions are deposited Monthly/Quarterly/Half yearly through auto debit from savings bank account.
- ❖ Overdue interest of ₹1 per month for delayed contribution for ₹.100 or part becomes part of the corpus.
- ❖ Pension opted for can be changed to higher/lower amount.
- ❖ Spouse can continue account in case of death of subscriber.

Comparison APY & PMSYM



Particular	Atal Pension Yojana	Pradhan Mantri Shram Yogi Maan-Dhan
Launch Year/ Ministry	<ul style="list-style-type: none"> • May'2015–Department of Financial Services, MoF 	<ul style="list-style-type: none"> • Feb '2019- Ministry of Labour and Employment
Eligibility	<ul style="list-style-type: none"> • Open to all Citizen of India aged between 18 to 40 years of age and having a saving bank account • Notified under section 7 	<ul style="list-style-type: none"> • Open only to unorganised worker whose monthly income does not exceed Rs 15,000 and aged 18 to 40 years and having a savings bank account in his name and Aadhar number • Notified under section7, notified under unorganized workers social security act 2008
Monthly Pension	<ul style="list-style-type: none"> • Rs 1000 to Rs 5000 	<ul style="list-style-type: none"> • Rs 3000
Scheme Benefit	<ul style="list-style-type: none"> • Minimum guaranteed Pension of ₹ 1000 5000 at 60 years to Subscriber. • Spouse entitled to receive 100% of Pensions on death of Subscriber. • Return of pension wealth to nominee after death of spouse. (Rs 1.7 to 8.5 lakhs indicative) 	<ul style="list-style-type: none"> • Minimum guaranteed Pension of ₹ 3000 at 60 years to Subscriber. • Spouse entitled to receive 50% of Pensions on death of Subscriber.
Contribution	<ul style="list-style-type: none"> • Subscribers Contribution for Rs 3000 pension option is - Rs 126 p.m at 18 years of age and - Rs 873 p.m at 40 years of age 	<ul style="list-style-type: none"> • Subscribers Contribution for Rs 3000 pension - Rs 55 p.m at 18 years of age and • Rs 200 p.m at 40 years of age

Comparison APY & PMSYM



Particulars	Atal Pension Yojana (APY)	Pradhan Mantri Shram Yogi Maan-Dhan (PMSYM)
Exit Before 60 Years of Age	<ul style="list-style-type: none"> ▪ Exit is permitted in the event of the death/terminal disease: The accumulated pension wealth is paid to spouse (default nominee) or to the nominee opted by the subscriber. ▪ In case of death of subscriber. Spouse has an option to continue the Scheme ▪ In case of voluntary Exit, the pension wealth (subscriber contribution + returns) is paid to the subscriber with applicable deduction of charges, forfeiture of GOI co-contributions. 	<ul style="list-style-type: none"> ▪ Exit within 10 years: Subscribers contribution + Banks interest will be paid ▪ Exit after 10 years: Subscribers contributions+ actual interest earned by Pension Fund or saving Bank interest whichever is higher will be paid ▪ In case of Death: Spouse entitled to continue subsequently by payment of regular contributions or Subscribers contributions+ actual interest earned by Pension Fund or saving Bank interest whichever is higher will be paid ▪ In case of death of subscriber and his/her spouse, the corpus shall be credited back to the fund;
Government co-contribution	<ul style="list-style-type: none"> ▪ 50% of subscribers contribution subject to max. of Rs 1000 (lower amount) is paid to subscribers enrolled till 31st Mar 2016 for a period of 5 years. 	<ul style="list-style-type: none"> ▪ GoI will contribute equal monthly contribution to subscribers.
Enrollment Agency	<ul style="list-style-type: none"> ▪ Mobilized through 1.6 lacs bank branches and post offices across the country. ▪ Banks paid incentive of Rs 120 per account for every new funded account. 	<ul style="list-style-type: none"> ▪ CSC - E-KYC - NPCI - LEAD BANK (IDBI) Respective Banks of customers for ECS Debit/LIC for Fund Management. ▪ CSC - Rs 30 per acct. For Banks, Rs 1.30 for setting up auto debit.

Grievance Redressal Mechanism

Subscriber

Concerned
Intermediary

Timeline
30 days*
Mode
CGMS /
Email /
Application

NPS Trust

Timeline
30 days*
Mode
CGMS /
Email /
Application

Ombudsman

Timeline
90 days*
Mode
Written
Application

Authority
(PFRDA)

Timeline
60 days*
Mode
Written
Application

Securities
Appellate
Tribunal
(SAT)

THANK YOU