

NATIONAL PENSION SYSTEM (NPS)

- **Government of India introduced NPS for Central Govt. Employees joining services w e f 01.01.2004 to promote old age income security.**
- **On 1st May 2009, on voluntary basis. NPS was made available for All Citizens of India**
- **NPS seeks to inculcate the habit of savings for retirement amongst the citizen.**
- **A citizen of India, whether resident or non-resident can join NPS. The applicant should be between 18 – 65 years of age as on the date of submission of application and should comply with the prescribed Know Your Customer (KYC) norms.**
- **PFRDA – PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY - Regulator for NPS**
- **NPS is based on PRAN – Permanent Retirement Account Number. Each subscriber will get an identity card with his photograph, name and signature.**
- **NPS aims at creating enough corpus to enable subscriber for purchasing Annuity post retirement**
- **The Scheme covers**
 - Organized Sector – All Citizen Model**
 - Unorganized Sector –Swavalamban (Dispensed with, now APY)**
 - Employees & Corporates – Corporate Model**
- **NPS Architecture**
 - Central Record keeping Agency – CRA – NSDL**
 - NPS Trust – responsible for taking care of funds under NPS**
 - POP – Point of Presence – First point of interface between voluntary subscriber and NPS Architecture and provides NPS services to subscriber**
 - Trustee Bank – Bank of India**
 - PFM – Pension Fund Managers**
 - Custodian – SHCIL (Stock Holding Corporation of India Ltd.)**
 - ASP – Annuity Service Provider – providing regular pension**

- **Types of Accounts**

- **Tier 1 – Non-withdrawable pension account**
Minimum amount per contribution Rs.500/-
Minimum contribution per year should be Rs.1000/-
Minimum No. of contribution per year 1.
- **Tier 2 – Voluntary Savings account**
Minimum contribution at the time of account opening
Rs.1000/- Minimum amount per contribution Rs.250.
Minimum No. of contribution per year 1.
- **A subscriber can choose any of the following Fund Managers: LIC, SBI, UTI, ICICI, Kotak, HDFC and Birla Sunlife.**
- **NPS is low cost – at 0.0009% p.a as Fund Management Fees, NPS is perhaps world’s lowest cost pension scheme. Other handling and administrative charges are also the lowest.**
- **NPS ensures complete portability. NPS account can be operated from anywhere in the country irrespective of employment and geography.**
- **All transactions under NPS can be tracked online through CRA System.**
- **Corporate Model – To provide NPS to the employees of Corporate entities, including PSUs. Corporates may join NPS through anyone of the existing POPs through MOUs. POPs will perform all the required functions. Corporates can co-contribute for employees’ pension.**

Corporates can claim tax benefits for the amount contributed towards pension of employees. From 1st April, 2012 upto 10% of the salary (basic and dearness allowance) of employers contribution can be deducted as ‘Business expense’ from their Profit & Loss a/c.

- **Withdrawals –**

On attaining the normal retirement age of 60 years, the subscriber can either continue the scheme upto the age of 70 years or opt for withdrawal.

- **The subscriber has to compulsorily annuitize atleast 40% of the pension wealth which is fully exempt from tax and the remaining 60% can be withdrawn as a lump sum or**

in a phased manner that is also fully exempt from tax, which makes 100% exempt from tax at the time of withdrawal.

- **Pre-mature Exit :** In such an eventuality, at least 80% of the accumulated pension wealth of the subscriber needs to be utilized for purchase of an annuity providing for the monthly pension of the subscriber and the balance is paid as a lump sum payment to the subscriber. However subscribers can exit from NPS only after completion of 10 years. If the total corpus is less than or equal to Rs. 2 lakh, Subscriber can opt for 100% lumpsum withdrawal.
- **Death of subscriber :** In the unfortunate event of death of the subscriber, the entire accumulated pension wealth (100%) would be paid to the nominee / legal heir of the subscriber and there would not be any purchase of annuity/monthly pension.
- **Exclusive Tax Benefit for NPS subscribers u/s 80CCD (1B)** an additional deduction for the investment up to Rs.50,000/- in NPS (Tier I account) has been introduced under subsection 80CCD (1B). This is over and above the deduction of Rs. 1.5 lakh available Under section 80CCE.
- **Canara Bank registered as POP and also as Aggregator for Swavalamban Scheme and designated the branches as POP-SP (Point of Presence Service Provider) and NLCC (NPS Lite Collection Centre) to implement the Scheme.**
- **To enroll in the NPS, the applicant has to submit the required application form to POP-SP / NLCC.**
- **Central Grievance Management System (CGMS) – The subscriber can either log his / her complaint through POP / Aggregator or can send a written complaint to PFRDA/CRA.**
- **Risks – Investments under NPS are subject to Market Risks associated with the pattern of investment. PFRDA does not guarantee any return on investments made.**

- **Ref: www.pfrda.org.in. www.npscra.nsdl.co.in**