

# Pension Fund Regulatory and Development Authority

## Press Release

April 30, 2009

### NEW PENSION SYSTEM (NPS) EXTENDED TO ALL CITIZENS FROM MAY 1, 2009

Central Government made the New Pension System (NPS) mandatory for its new recruits (except defence forces) from 1<sup>st</sup> January, 2004. A majority of State Governments have also shifted to the defined contribution based new pension system from varying dates.

2. The NPS architecture, consisting of the NPS Trust, Central Recordkeeping Agency, Pension Fund Managers, Trustee Bank and Custodian, was made operational for Central Government employees from 1<sup>st</sup> April, 2008. The NPS architecture has also been offered to the State Governments to manage the pension corpus of their employees. The State Governments are at different stages to adopting the NPS.

3. The NPS architecture has been in operation for over a year now and NPS corpus of Central Government employees amounting to over Rs.2100 crore stands invested in it. According to the unaudited results of the Pension Funds, the three Pension Funds have generated returns varying from 12% to 16% on the NPS corpus during the year 2008-09, weighted average return being over 14.5 per cent.

4. Earlier, in August 2008, Government had decided to offer NPS to all citizens of India on a voluntary basis. Accordingly, PFRDA took necessary steps to scale up the existing infrastructure to roll-out the NPS for all citizens. Twenty two Points of Presence (PoPs) and six Pension Fund Managers have been appointed by PFRDA for offering NPS to citizens. Branches of the registered PoPs designated as PoP Service Providers (PoP-SP) will act as the initial point of contact and collection point for all citizens other than Government employees desiring to obtain a Permanent Retirement Account Number (PRAN) under NPS.

5. The necessary infrastructure for the roll-out of NPS is now ready and the New Pension System will be available to all citizens of India from 1<sup>st</sup> May, 2009. Tier-I of the NPS constituting the non-withdrawable Pension account will become operational from that date and Tier II (withdrawable account) of the NPS account will become operational in about six months.

6. Investment guidelines for individual subscribers and fund managers are available on PFRDA web-site. Briefly, Pension Fund Managers will manage 3 separate schemes, each investing in a different asset class. These assets classes are (i) Equity, (ii) Government securities and (iii) Credit risk bearing fixed income instruments. On the basis of the recommendations of the NPS Trust and on advice from the Government, it has been decided that investment by an NPS participant in equity would be subject to a cap of 50 per cent. Also the fund managers will invest only in index funds that replicate either BSE sensitive index or NSE Nifty 50 index. The subscriber will have the option to actively decide as to how the NPS pension wealth is to be invested in three asset class. In case the subscriber is unable/unwilling to exercise any choice as regards asset allocation, his/her contribution will be invested in accordance with the 'Auto choice' option. In this option the investment will be determined by a pre-defined portfolio. At the lowest age of entry (18 years) the auto choice will entail investment of 50 % of pension wealth in "E" Class, 30% in "C" Class and 20% in "G" Class. These ratios of investment will remain fixed for all contributions until the participant reaches the age of 36. From age 36 onwards, the

weight in " E" and " C" asset class will decrease annually and the weight in "G" class will increase annually till it reaches 10% in " E", 10% in "C" and 80 % in " G" class at age 55.

7. Starting 1<sup>st</sup> May 2009, any citizen of India desiring to open an NPS account can contact any of the twenty two (22) Points of Presence (POPs) appointed by PFRDA. Initially, PoPs are offering NPS at limited number of branches. However, in due course the number of such branches will grow and cover every part of the country. The offer document containing details of the NPS, application form for opening NPS account and welcome brochure is now available on the website of PFRDA ([www.pfrda.org.in](http://www.pfrda.org.in)) as well as the websites of other NPS intermediaries. Details of NPS intermediaries including Points of Presence and Pension Funds are also available on PFRDA website.

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