Frequently Asked Questions (FAQ)

1. **What is retirement planning and how to ensure an independent life even when one retires from active work life?**

Retirement planning involves disciplined saving, vigilant investment to build a sufficient retirement corpus and its judicious drawdown in the post-retirement phase. This is achieved by joining a pension/retirement plan at an early stage in one's life so that when a person retires from active work life, he gets a regular stream of income in the form of pension or annuity for his life.

2. What are the pension plans available in India?

National Pension System (NPS) which is administered and regulated by Pension Fund Regulatory and Development Authority (PFRDA) created by an Act of Parliament. Besides the NPS, some mutual funds and insurance companies also offer Pension plan or retirement plan, which are not under the jurisdiction of PFRDA. Apart from this the normal retirement plan options include EPFO, Retirement gratuity etc. is offered by employers to their workers and employees.

3. What is National Pension System (NPS)?

National Pension System (NPS) is a voluntary, defined contribution retirement savings scheme designed to enable the subscribers to make optimum decisions regarding their future through systematic savings during their working life. NPS seeks to inculcate the habit of saving for retirement amongst the citizens. It is an attempt towards finding a sustainable solution to the problem of providing adequate retirement income to every citizen of India.

- Under the NPS, individual savings are pooled in to a pension fund which are invested by PFRDA regulated professional fund managers as per the approved investment guidelines in to the diversified portfolios comprising of government bonds, bills, corporate debentures and shares. These contributions would grow and accumulate over the years, depending on the returns earned on the investment made.

- At the time of normal exit from NPS, the subscribers may use the accumulated pension wealth under the scheme to purchase a life annuity from a PFRDA empanelled life insurance company apart from withdrawing a part of the accumulated pension wealth as lump-sum, if they choose so.

4. What are the advantages in joining NPS?

- Flexible- NPS offers a range of investment options and choice of Pension Fund Manager (PFMs) for planning the growth of your investments in a reasonable manner and see your money grow. Individuals can switch over from one investment option to another or from one fund manager to another subject, of course, to certain regulatory restrictions. The returns being totally market-related.
- Simple – Opening an account with NPS provides a Permanent Retirement Account Number (PRAN), which is a unique number and it remains with the subscriber throughout his lifetime. The scheme is structured into two tiers:

- Tier-I account: This is the non-withdrawable permanent retirement account into which the accumulations are deposited and invested as per the option of the subscriber.
- Tier-II account: This is a voluntary withdrawable account which is allowed only when there is an active Tier I account in the name of the subscriber. The withdrawals are permitted from this account as per the needs of the subscriber as and when claimed.

- Portable- NPS provides seamless portability across jobs and across locations, unlike all current pension plans, including that of the EPFO. It would provide hassle-free arrangement for the individual subscribers.

- Regulated- NPS is regulated by PFRDA, with transparent investment norms, regular monitoring and performance review of fund managers by NPS Trust.

5. What is NPS Architecture?

The NPS is a sophisticated innovation that is based on the world's best practices in the pension sector.

- NPS is based on Personal retirement accounts (PRAs) created for individual members. NPS accumulates savings into subscriber's PRA while he is working and use the accumulations at retirement to procure a pension for the rest of his life.

- NPS architecture consists of NPS Trust which is entrusted with safeguarding subscribers interests, a Central Recordkeeping Agency (CRA) which maintains the data and records, Point of Presence (POP) and aggregators as collection and distribution arms, competing pension fund managers for generating and maximizing returns on investments of subscribers, custodian to take care of the assets purchased by the Fund managers and Trustee bank to manage the banking operations.

- NPS has an unbundled Architecture, with inbuilt checks and balances, where each function is performed by a different entity which is renowned in its area, to achieve maximum operational efficiency and at a low cost.

- NSDL is acting as Central Record Keeping agency (CRA) which is associated with various national level projects for recordkeeping functions.

- Renowned Financial Institutions covering Public/Private Sector Banks, NBFC, etc., acting as POPs and Aggregators.

- Funds are managed by professional Fund Managers from Public & Private sector with proven track record and as per the PFRDA approved investment guidelines. At present there are 8 pension fund managers managing the pension wealth of subscribers. They are :

  - HDFC Pension Management Co. Ltd. **

- ICICI Prudential Pension Fund Management Co. Ltd.
- Kotak Mahindra Pension Fund Ltd.
- LIC Pension Fund Ltd.
- Reliance Capital Pension Fund Ltd.
- SBI Pension Funds Pvt. Ltd
- UTI Retirement Solutions Ltd
- Pension Fund (PF) to be incorporated by Birla Sunlife Insurance Co. Ltd.

(** The Hon'ble High-Court Delhi has permitted HDFC Pension Management Company Ltd. to carry on pension fund management business till further orders.)

Axis Bank, functions as Trustee Bank.

- Stock Holding Corporation of India Ltd, functions as custodian for NPS.

6. What are the benefits in NPS?

Dual benefit of Low Cost and Power of compounding – The account maintenance costs under NPS are the lowest as compared to similar pension products available in India, like retirement plans offered by Insurance companies and mutual funds. While saving for a long-term goal such as retirement, the cost matters a lot. Over 35-40 years, the charges can shave off a significant amount from the corpus.

Till the retirement pension wealth accumulation grows over a period of time with a compounding effect. The account maintenance charges being low, the benefit of accumulated pension wealth to the subscriber eventually become large.

A flexible investment option: Subscribers have control on the choice of investment made and the fund manager who manages the investments. Subscribers can switch over from one investment option to another or from one fund manager to another subject, of course, to certain regulatory restrictions.

Tax benefits: The first benefit of the NPS consists of the income tax deduction that is available to the individuals when they make their own contribution to the fund. There is an overall limit of Rs 1 lakh for contributions under eligible investments for Section 80C, pension fund contributions (Section 80CCC) and contribution to NPS (Section 80CCD). Apart from this, if there are co-contributions from the employer, then

- Employer contributing to the NPS on behalf of an employee will get deduction from his income (i.e. employer's income) an amount equivalent to the amount contributed or 10% of BASIC SALARY + DA of the employee, whichever is less. (Section 36 (1) (iv a) of the Income Tax Act 1961)

- Employer's contribution to NPS on behalf of the employee is treated as perquisite in the hands of the employees, but is deductible u/s80CCD(2) of the Income tax Act,1961 to the extent of 10% of basic salary. This deduction is over and above the limit of Rs.1 lac u/s 80C of the Income tax Act,1961. This will lessen the tax burden of the employee to the extent of amount deductible u/s80CCD(2) of the Income tax Act,1961

A safe retirement fund: Introduced by the Government of India and regulated by the Pension Fund Regulatory & Development Authority (PFRDA).

7. What is the eligibility for NPS?

A citizen of India, whether resident or non-resident, subject to the following conditions:

- Applicant should be between 18 – 60 years of age as on the date of submission of his/her application to the POP/ POP-SP.

- Applicant should comply with the Know Your Customer (KYC) norms as detailed in the Subscriber Registration Form. All the documents required for KYC compliance need to be mandatorily submitted.

8. What benefits available for subscriber under NPS?

Low Cost - NPS is considered to be the world’s lowest cost pension scheme. Administrative charges and fund management fee are also lowest.

Simple - All applicant has to do is to open an account with any one of the POPs and get a PRAN.

Flexible - Applicant can choose his/her own investment option and Pension Fund or select Auto option to get better returns.

Portable - Applicant can operate an account from anywhere in the country and can pay contributions through any of the POP-SPs irrespective of the POP-SP branch with whom the applicant is registered, even if he/she changes his/her city, job etc.

Prudentially Regulated – Transparent investment norms, regular monitoring and performance review of funds by NPS Trust.

Tax benefit to employee:

Individuals who are employed and contributing to NPS would enjoy tax benefits on their own contributions as well as their employer’s contribution as under: -

(a) Employee’s own contribution - Eligible for tax deduction up to 10% of Salary (Basic + DA) under Section 80 CCD(1) within the overall ceiling of Rs. 1.5 lacs under Sec 80 CCE.

(b) Employer's contribution – The employee is eligible for tax deduction up to 10% of Salary (Basic + DA) contributed by employer under Sec 80 CCC(2) over and above the limit of Rs. 1.5 lacs provided under Sec 80 CCE.

Tax benefit for self-employed:

Eligible for tax deduction up to 10 % of gross income under Sec 80 CCD (1) with in the overall ceiling of Rs. 1.5 lacs under Sec 80 CCE.

Tax benefits would be applicable as per the Income Tax Act, 1961 as amended from time to time.

9. What investment choices are available for NPS subscriber?

Under NPS, how your money is invested will depend upon subscriber's own choice. NPS offers a number of funds and multiple investment options to choose from. In case subscriber does not want to exercise a choice, his/her money will be invested as per the "Auto Choice" option, where money will get invested in various type of schemes as per subscriber's age. The NPS offers two approaches to invest subscriber's money:

- Active choice - Individual Funds (Asset Class E, Asset Class C, and Asset Class G)

Subscriber will have the option to actively decide as to how his/her NPS pension wealth is to be invested in the following three options:

Asset Class E - Investments in predominantly equity market instruments.

Asset Class C- investments in fixed income instruments other than Government securities.

Asset Class G - investments in Government securities.

Subscriber can choose to invest his/her entire pension wealth in C or G asset classes and up to a maximum of 50% in equity (Asset class E). Subscriber can also distribute his/her pension wealth across E, C and G asset classes, subject to such conditions as may be prescribed by PFRDA.

- Auto choice - Lifecycle Fund

NPS offers an easy option for those participants who do not have the required knowledge to manage their NPS investments. In case subscribers are unable/unwilling to exercise any choice as regards asset allocation, their funds will be invested in accordance with the Auto Choice option. In this option, the investments will be made in a life-cycle fund. Here, the fraction of funds invested across three asset classes will be determined by a pre-defined portfolio.

10. What is the procedure for enrolment under NPS?

To enrol in the NPS, applicant needs to submit the Subscriber Registration Form (as prescribed) to the POP-SP of his/her choice. Applicant can procure the subscriber registration application form from any of the Point of Presence - Service Providers (POP-SP) applicant wishes to register with. Alternatively the subscriber registration forms are available at link of All Citizen Model Forms in Forms/Section on our website.

The applicant has to ensure that subscriber registration application form is duly filled up i.e. photograph, signature, mandatory details, scheme preference details etc and also submit Know Your Customer (KYC) documentation with respect to proof of identity and proof of address. The applicant is advised to read the instructions given at the back of the form. NRIs should have an account with a bank based in India to open an account under NPS and also should have a local address. The contributions made by the NRI would be subject to regulatory requirements as prescribed by RBI from time to time and FEMA requirements. Once the application form is duly filled in applicant can go to the nearest POP-SP and submit the PRAN application along with the KYC documents. PRAN card will be sent to applicant's correspondence address by CRA. The list of POP –SP (Service Provider branches) is available on the CRA website www.npscra.nsdl.co.in and on the website of the concerned POP. To know the nearest POP-SP branch of your choice applicant may visit https://www.npscra.nsdl.co.in/pop-sp.php.

After the account is opened, CRA shall mail a "Welcome Kit" containing the subscriber's unique Permanent Retirement Account Number (PRAN) Card and the complete information provided by the subscriber in the Subscriber Registration form. This account number will be the primary means of identifying and operating the account. The applicant will also receive a Telephone Password (TPIN) which can be used to access an account on the call Centre number (1-800-222080). Applicant will also be provided an Internet Password (IPIN) for accessing an account on the CRA Website (www.npscra.nsdl.co.in) on a 24X7 basis.

11. How many types of Account can be open under NPS?

Tier-I account: The applicant shall contribute his/her savings for retirement into this non-withdrawable account. This is the retirement account and applicant can claim tax benefits against the contributions made subject to the Income Tax rules in force.
Tier-II account: This is a voluntary savings facility. The applicant will be free to withdraw his/her savings from this account whenever he/she wishes. This is a not a retirement account and applicant can't claim any tax benefits against contributions to this account.

12. What is the rate of Contribution under different NPS Account?

The subscriber can contribute the amount through cash, local cheque, demand draft or Electronic Clearing System (ECS) at his/her chosen POP-SP. However, for cash transactions exceeding Rs.50000/- subscriber needs to submit the copy of the PAN card as per the Anti-Money laundering (AML) rules. Also, No outstation cheques shall be accepted.

Minimum Contributions (For Tier-I)

- Minimum contribution at the time of account opening and for all subsequent transactions- Rs 500
- Minimum contribution per year - Rs 6,000 excluding charges and taxes
- Minimum number of contributions in a year - 01

Charges and Penalty for non-compliance of mandatory minimum contributions:

- If the subscriber contributes less than Rs. 6,000 in a year, his/her account would be frozen and further transactions are allowed till the account is reactivated.
- In order to reactivate the account, the subscriber would have to pay the minimum contributions, along with penalty of Rs.100 per year of default due for the period of dormancy.
- A frozen account shall be closed when the account value falls to zero.

Minimum Contributions (For Tier-II)

- Minimum contribution at the time of account opening - Rs.1000/- and for all subsequent transactions a minimum amount per contribution of Rs.250/-
- Minimum Account Balance at the end of Financial Year - Rs.2000/- excluding charges and taxes
- Minimum number of contributions in a year – 01

Charges and Penalty for non-compliance of mandatory minimum contributions:

- Penalty of Rs. 100/- to be levied on the subscriber for not maintaining the minimum account balance and/or not making the minimum number of contributions.

13. What terms and conditions are follow for maintaining security of personal information of a subscriber?

The subscriber’s personal information will not be disclosed to a third party (outside National Pension System (NPS) which includes Annuity Service Providers empanelled by PFRDA) without the express or implied consent of the subscriber. The information may be used internally or for creating awareness (telephonic/written) of new services of NPS. However, there are some exceptions, viz. disclosure of information under compulsion of law, where there is a duty to the public to disclose and where interest of the NPS requires disclosure.

14. What option are available for withdraw/Exit from NPS?

A. Upon attainment of the age of 60 years:

At least 40% of the accumulated pension wealth of the subscriber needs to be utilized for purchase of annuity providing for monthly pension to the subscriber and balance is paid as lump sum payment to the subscriber. However, the subscriber has the option to defer the lump sum withdrawal till the age of 70 years.

B. At any time before attaining the age of 60 years:
At least 80% of the accumulated pension wealth of the subscriber needs to be utilized for purchase of annuity providing for monthly pension to the subscriber and the balance is paid as a lump sum payment to the subscriber.

C. 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.
Under National Pension System, PFRDA has entrusted the responsibility of receiving, processing and settlement of all withdrawal claims made to Central Recordkeeping Agency (CRA) and CRA has created a special NPS claim processing cell (NPSCPC) for this purpose for handling all types of withdrawal claims. The CRA will monitor the performance of NPSCPC on the withdrawal processing as per the instructions provided by PFRDA in this regard. At present the NPSCPC is fully functional.
The subscribers can submit their claims for withdrawal from NPS through any of the POP-SP's to NPS Claim processing cell (NPSCPC) for processing of the claims. The entire exit and withdrawal process is proposed to be system driven for majority part and the contact details of NPSCPC are as given below:

COMMUNICATION ADDRESS OF CRA CLAIM CELL

NPS Claim Processing Cell, Central Record Keeping Agency, NSDL, 4th Floor, 'A' Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 4000013.
Telephone Nos: 022-24994512 / 022-24994862 / 022-249904200 (Board)
E-mail ids: SarvdeepS@nsdl.co.in; Sudhanshus@nsdl.co.in
Contact person / persons: Mr.Sarvdeep Singh / Mr. Sudhanshu Shekhar
Second or senior level contact person: Prasenjit Mukherjee
E-mail id: PrasenjitM@nsdl.co.in

Please note that the above details may change from time to time and as per the approval of PFRDA. Also, Subscribers can contact the personnel mentioned above in case of any doubt /

queries on the withdrawal process or any other information pertaining to the withdrawal of benefits under NPS.

15. What are the charges levied under NPS?

NPS offers Indian citizens a low cost option for planning their retirement. NPS perhaps is the world's lowest cost retirement savings product. Following are the charges under NPS:

Intermediary	Charge head	Service charges	Method of Deduction
CRA	PRA Opening charges	Rs. 50/-	Through Cancellation of units
	Annual PRA maintenance cost per account	Rs. 190/-	
	Charge per transaction	Rs. 4/-	
POP(Maximum Permissible Charge for each subscriber)	Initial subscriber registration	Rs.100/-	To be collected upfront from subscriber
	Contribution upload(Initial as well as subsequent)	Upto 0.25% of contribution amount subject to minimum of Rs.20/- and maximum of Rs.25000/-.	
	Other transactions (not involving a contribution from subscriber).	Rs.20/-	
Trustee Bank	Not Applicable	Nil	
Custodian (On asset value in custody)	Asset Servicing charges	0.0075% p.a for Electronic segment & 0.05% p.a. for Physical segment	Through NAV deduction
PF charges	Investment Management Fee	within the prescribed upper ceiling of 0.01% p.a.	Through NAV deduction

Service tax and other levies, as applicable, will be levied as per the existing tax laws. There are no additional CRA charges for the maintenance of Tier –II account. Also, please note that the fee structure may change from time to time as may be decided by PFRDA.

FREQUENTLY ASKED QUESTIONS ON NATIONAL PENSION SYSTEM – ALL CITIZENS MODEL

- **What is National Pension System?**

  NPS is an easily accessible, low cost, tax-efficient, flexible and portable retirement savings account. Under the NPS, the individual contributes to his retirement account and also his employer can also co-contribute for the social security/welfare of the individual. NPS is designed on Defined contribution basis wherein the subscriber contributes to his account, there is no defined benefit that would be available at the time of exit from the system and the accumulated wealth depends on the contributions made and the income generated from investment of such wealth.

  The greater the value of the contributions made, the greater the investments achieved, the longer the term over which the fund accumulates and the lower the charges deducted, the larger would be the eventual benefit of the accumulated pension wealth likely to be.

Contributions + Investment Growth – Charges = Accumulated Pension Wealth
(Individual contribution as well as co-contribution from Employers)

- **Who can Join NPS?**

  Any citizen of India, whether resident or non-resident, subject to the following conditions:

  - Individuals who are aged between 18 – 60 years as on the date of submission of his/her application to the POP/ POP-SP. The citizens can join NPS either as individuals or as an employee-employer group(s) (corporates) subject to submission of all required information and Know your customer (KYC) documentation. After attaining 60 years of age, you will not be permitted to make further contributions to the NPS accounts.

- **Can an NRI open an NPS account?**

  Yes, a NRI can open an NPS account. Contributions made by NRI are subject to regulatory requirements as prescribed by RBI and FEMA from time to time. If the subscriber's citizenship status changes, his/ her NPS account would be closed.

- **If I have invested in any other Provident Fund, can I still invest in NPS?**

  Yes. Investment in NPS is independent of your contribution to any Provident Fund.

- **I have invested in pension funds of non-government / private entities. Can I still invest in NPS?**

  Yes. Investment in NPS is independent of your subscription to any other pension fund.

- **How and where can I open a NPS account?**
  NPS is distributed through authorized entities called Points of Presence (POP's) and almost all the banks (both private and public sector) are enrolled to act as Point of Presence (POP) under NPS apart from several other financial institutions. To invest in NPS, you will be required to open a NPS account through the Point of Presence (POP) and who will assist the subscriber in opening the account including the filling up of necessary forms, providing the information about NPS and any other relevant information in this regard.

- **Who is a POP/POP-SP and what is their role?**
  Points of Presence (POPs) are the first points of interaction of the NPS subscriber with the NPS architecture. The authorized branches of a POP, called Point of Presence Service Providers (POP-SPs), will act as collection points and extend a number of customer services to NPS subscribers including requests for withdrawal from NPS.

- **How can we find location/address of POP-SP nearest to the place where I live for opening a NPS account?**
  POP-SP location can be accessed through website of PFRDA. This can also be accessed through below mentioned link of CRA's website:
  https://www.npscra.nsdl.co.in/pop-sp.php

- **How will I know about the status of my PRAN application form?**
  Subscriber can check the status by accessing CRA website: https://cra-nsdl.com/CRA/ by using the 17 digit receipt number provided by POP-SP or the acknowledgement number allotted by CRA-FC at the time of submission of application forms by POP-SP. Once the PRAN is generated, an email alert as well as a SMS alert will be sent to the registered email ID and mobile number of the subscriber.

- **What are the documents that need to be submitted for opening a NPS account?**
  The following documents need to be submitted to the POP for opening of a NPS account:
  a. Completely filled in subscriber registration form
  b. Proof of Identity
  c. Proof of Address
  d. Age/date of birth proof**.**

- **What are the features of the retirement account provided under NPS?**
  The following are the most prominent features of the retirement account under NPS:
  - Every individual subscriber is issued a Permanent Retirement Account Number (**PRAN**) card and has a 12 digit unique number. In case of the card being lost or stolen, the same can be reprinted with additional charges.
  - Under NPS account, two sub-accounts – Tier I & II are provided. Tier I account is mandatory and the subscriber has option to opt for Tier II account opening and operation. The following are the salient features of these sub-accounts:

- Tier-I account: This is a non-withdrawable retirement account which can be withdrawn only upon meeting the exit conditions prescribed under NPS.
- Tier-II account: This is a voluntary savings facility available as an add-on to any Tier-1 account holder. Subscribers will be free to withdraw their savings from this account whenever they wish.

- **Will the government also contribute anything to my NPS account?**
  No. The Government will not be making any contribution to your NPS account. The Government of India may however, make contributions to the accounts of NPS account holders who opt for Swavalamban scheme subject to conditions stated in Swavalamban scheme.

- **In what way is the NPS Portable?**
  The following are the portability features associated with NPS
  - NPS account can be operated from anywhere in the country irrespective of individual employment and location/geography.
  - Subscribers can shift from one sector to another like Private to Government or vice versa or Private to Corporate and vice versa. Hence a private citizen can move to Central Government, State Government etc with the same Account. Also subscriber can shift within sector like from one POP to another POP and from one POP-SP to another POP-SP. Likewise an employee who leaves the employment to become a self-employed can continue with his individual contributions. If he enters re-employment he may continue to contribute and his employer may also contribute and so on.
  - The subscriber can contribute to NPS from any of the POP/ POP-SP despite not being registered with them and from anywhere in India.

- **Can I have more than one NPS account?**
  No, multiple NPS accounts for a single individual are not allowed and there is no necessity also as the NPS is fully portable across sectors and locations.

- **Are there any minimum annual contribution requirements under NPS? How can I reactivate / unfreeze the account if frozen due to minimum contribution requirements?**

  Yes, A subscriber has to contribute a minimum annual contribution of Rs.6000/- for his Tier I account in a financial year and if not contributed the account will be frozen. In order to unfreeze the account, the customer has to pay the total of minimum contributions for the period of freeze, the minimum contribution for the year in which the account is reactivated and a penalty of Rs.100/-. In order to unfreeze an account the subscriber has to approach the Point of Presence (POP) and pay the required amounts. The following table provides the complete information on the minimum contribution requirements:

For All citizens model	Tier I	Tier II
Minimum Contribution at the time of account opening	**Rs. 500**	**Rs. 1000**
Minimum amount per contribution	Rs. 500	Rs. 250
Minimum total contribution in the year	Rs. 6000	Rs. 2000
Minimum frequency of contributions	1 per year	1 per year

- **How are the funds contributed by the subscribers managed under NPS?**

  The funds contributed by the Subscribers are invested by the PFRDA registered Pension Fund Managers (PFM's) as per the investment guidelines provided by PFRDA. The investment guidelines are framed in such a manner that there is minimal impact on the subscribers contributions even if there is a market downturn by a judicious mix of investment instruments like Government securities, corporate bonds and equities. At present there are 8 Pension Fund Managers (PFM's) who manage the subscriber funds at the option of the subscriber.

  At present, Subscriber has option to select any one of the following 8 pension funds:

  - ICICI Prudential Pension Fund
  - LIC Pension Fund
  - Kotak Mahindra Pension Fund
  - Reliance Capital Pension Fund
  - SBI Pension Fund
  - UTI Retirement Solutions Pension Fund LIC Pension Fund
  - HDFC Pension Management Company
  - DSP Blackrock Pension Fund Managers

  Since registration of PFMs is an ongoing process, this list will be updated from time to time.

- **What are the different Fund Management Schemes available to the subscriber?**

  The NPS offers two approaches to invest subscriber's money:

  - **Active choice –** Here the individual would decide on the asset classes in which the contributed funds are to be invested and their percentages (Asset class E(maximum of 50%), Asset Class C, and Asset Class G)
  - **Auto choice - Lifecycle Fund-** This is the default option under NPS and wherein the management of investment of funds is done automatically based on the age profile of the subscriber. For full details, one may go through our website www.pfrda.org.in wherein the full details of the investment choices and fund management details are provided.

- **Can I switch from one investment scheme to another and/or Pension Fund Manager and if so, how?**

  Yes, NPS offers to its subscribers the option to change the scheme preference. Subscriber has option to realign his investment in asset class E, C and G based on age and future income requirement. Also, the subscriber has option to change the PFM and the investment option (active /auto choice).

- **Is there any default Pension Fund Manager (PFM) Option provided under NPS?**

  Yes, there is a default PFM provision under NPS and SBI Pension Funds Private Limited acts as the default Pension Fund Manager.

- **Can I have a different Pension Fund Manager and Investment Option for my Tier I and Tier II account?**

  Yes. You may select different PFMs and Investment Options for your NPS Tier I and Tier II accounts.

- **Can I appoint nominees for the NPS Tier I and Tier II Account?**

  Yes, you need to appoint a nominee at the time of opening of a NPS account in the prescribed section of the opening form. You can appoint up to 3 nominees for your NPS Tier I and NPS Tier II account. In such a case you are required to specify the percentage of your saving that you wish to allocate to each nominee. The share percentage across all nominees should collectively aggregate to 100%.

- **I have not made any nomination at the time of registration. Can I nominate subsequently? What is the process?**

  If you have not made the nomination to your NPS account at the time of registration, you can do the same after the allotment of PRAN. You will have to visit your PoP and place Service Request to update nominations details.

- **Can I change the Nominees for my NPS Accounts?**

  Yes. You can change the nominees in your NPS Tier I account at any time after you have received your PRAN.

- **Are there any charges for making a nomination?**

  If you are making the nomination at the time of registering for PRAN, no charges will be levied to you. However, a subsequent request for nomination updation would be considered as a service request and you will be charged an amount of Rs. 20/- plus applicable service tax for each request.

- **What income tax reliefs are available to the individuals contributing to NPS?**

  <u>Tax benefit to employee</u>:

  Individuals who are employed and contributing to NPS would enjoy tax benefits on their own contributions as well as their employer's contribution as under: -

  (a) Employee's own contribution - Eligible for tax deduction up to 10% of Salary (Basic + DA) under Section 80 CCD(1) within the overall ceiling of Rs. 1 lac under Sec 80 CCE.

  (b) Employer's contribution – The employee is eligible for tax deduction up to 10% of Salary (Basic + DA) contributed by employer under Sec 80 CCC(2) over and above the limit of Rs. 1 lac provided under Sec 80 CCE.

  <u>Tax benefit for self-employed:</u>

  Eligible for tax deduction up to 10 % of gross income under Sec 80 CCD (1) with in the overall ceiling of Rs. 1 lac under Sec 80 CCE.

- **What are the applicable provisions for withdrawal of the accumulated pension wealth once I attain 60 years of age?**

  At least 40% 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.

- **What will happen to my savings if I decide to retire or does not want to continue in the NPS before age 60?**

  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.

- **In the event of the death of subscriber before attaining the age of 60 years, what will be the benefit that is payable and who will get the benefits ?**

  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.

- **How to withdraw the benefits available under NPS?**

  The subscriber wishing to exit from NPS has to submit a withdrawal application form to the concerned POP along with the documents specified for withdrawal of the benefits and the POP in turn would authenticate the documents and forwards them to CRA M/s NSDL. CRA in turn would register your claim and forward you the necessary application form along with the procedure to be followed and documents that need to be submitted. Once the documents are received, CRA processes the application and settles the account.

- **What are the documents that need to be submitted along with the withdrawal forms?**

  Following documents are required to be submitted along with the withdrawal forms in order to settle the claims:

  1. **PRAN card in original**
  2. **Attested copy of Proof of Identity** (e. g. Passport, Aadhar Card, PAN Card, Valid Driving License, Voter ID Card etc.)
  3. **Attested copy of Proof of Address (**e. g. Passport, Aadhar Card, Valid Driving License, Voter ID Card etc.)
  4. **Cancelled cheque** (containing Subscriber Name, Bank Account Number and IFS Code) or Bank Certificate Containing Name, Bank Account Number and IFSC code, for direct credit or electronic transfer.

  Note: An illustrative list of documents acceptable as proof of identity and address can be seen at PFRDA circulars available on PFRDA's website pfrda.org.in

- **Can a NPS subscriber defer his lump sum withdrawable amount (up to 60%) under NPS at the time of exit on 60 years?**

  Yes, one can defer the withdrawal of the eligible lump sum amount payable under NPS till the age of 70 years

- **What will happen to my withdrawal if my PRAN is in frozen or inactive state at the time of withdrawal?**

  The withdrawal will be processed like a normal withdrawal but in addition deduct the penalty that is applicable for unfreezing of such an account without seeking to reactivate the account by the subscriber or payment of amounts necessary to activate the account. In essence, the CRA will unfreeze the account by charging the penalty applicable and process the withdrawal claim.

- **What is an annuity?**

  An annuity is a financial instrument which provides for a regular payment of a certain amount of money on monthly/quarterly/annual basis for the chosen period for a given purchase price or pension wealth. In simple terms it is a financial instrument which offers monthly/quarterly/annual pension at a specified rate for the period you chose.

- **What are the Annuity Service Providers under NPS and what are their names?**

  Indian Life Insurance companies which are licensed by Insurance Regulatory and Development Authority (IRDA) are empanelled by PFRDA to act as Annuity Service Provider's to provide annuity services to the subscribers of NPS. Currently, the following are the ASPs empanelled by PFRDA.

  1. Life Insurance Corporation of India
  2. SBI Life Insurance Co. Ltd.
  3. ICICI Prudential Life Insurance Co. Ltd.
  4. Bajaj Allianz Life Insurance Co. Ltd.
  5. Star Union Dai-ichi Life Insurance Co. Ltd.
  6. Reliance Life Insurance Co. Ltd.
  7. HDFC Standard Life Insurance Co. Ltd

  Note: The ASP empanelment process is an ongoing process and the list of ASPs may grow in future.

- **What are the different types of annuities providing for monthly pension available to the subscribers of NPS?**

  The following are the generic annuities that are offered by Annuity Service Providers to the subscribers of NPS. However, some of the ASP's may offer some variants which have slightly different or combination type of annuities.

  1. Pension (Annuity) payable for life at a uniform rate to the annuitant only.
  2. Pension (Annuity) payable for 5, 10, 15 or 20 years certain and thereafter as long as you are alive.
  3. Pension (Annuity) for life with return of purchase price on death of the annuitant (Policyholder).
  4. Pension (Annuity) payable for life increasing at a simple rate of 3% p.a.

5. Pension (Annuity) for life with a provision of 50% of the annuity payable to spouse during his/her lifetime on death of the annuitant.
6. Pension (Annuity) for life with a provision of 100% of the annuity payable to spouse during his/her lifetime on death of the annuitant.
7. Pension (Annuity) for life with a provision of 100% of the annuity payable to spouse during his/her lifetime on death of the annuitant and with return of purchase price on death of the spouse. If the spouse predeceases the annuitant, payment of annuity will cease after the death of the annuitant and purchase price is paid to the nominee

- **What are the factors that determine the annuity income when you buy an annuity?**

  The Size of your pension wealth/corpus determines your monthly annuity/pension that you receive. Bigger the accumulated pension wealth or corpus used for purchase of annuity, the bigger would be the monthly pension that is received. Besides that, amount of annuity may vary according to the type of annuity variant selected by the subscriber.

- **What is the default annuity scheme and default ASP under NPS?**

  The following default annuity service provider along with the annuity scheme is available to all the subscribers under National Pensions System.

  1. *Default Annuity Service Provider* – Life Insurance Corporation of India (LIC)

  2. *Default Annuity Scheme* - Annuity for life with a provision of 100% of the annuity payable to spouse during his/her life on death of annuitant' and under this option, payment of monthly annuity would cease once the annuitant and the spouse die or after death of the annuitant if the spouse pre-deceases the annuitant, without any return of purchase price.

  However, it may be noted that default option is being purely provided in the subscribers' interest and to avoid any delay in claim processing and is not with a view to endorse/promote any particular ASP or annuity variant being offered by the ASP. If the amount available in NPS account of subscriber is not adequate to buy the default annuity variant and from the default ASP, the subscriber has to compulsorily choose an ASP who offers an annuity at the available corpus in the account of the subscriber.

- **Can I use more than 40% of my accumulated pension wealth to purchase the annuity at the time of exit from NPS upon attaining the age of 60 years?**

  Yes, a subscriber at the time of attaining the age of 60 years can purchase annuity up to 100% of his accumulated pension wealth.

- **Can a NPS subscriber defer his annuity purchase under NPS at the time of exit on 60 years?**

  Yes, one can defer the mandatory purchase of annuity for a maximum period of 3 years, at the time of exit from NPS.

- **To whom the claim for withdrawal of benefits needs to be submitted?**
  - The All citizen model sector including corporate and NPS Lite-Swavalamban subscribers have the option of submitting their request to the nearest PFRDA registered POP/POP-SP/AGGREGATOR.
  - The subscriber needs to submit specified application form along with the full set of documentation as prescribed.

- The Exit rules applicable for All citizen model sector subscribers are
    1. Upon attaining the age of 60 years
    2. Exit from NPS before the age of 60 years
    3. Upon Death of the Subscriber

- **How the annuity OR monthly pension is paid?**
  Monthly pension /Annuity will be paid through direct bank transfer to the specified subscribers account only through Annuity Service Providers.

- **I have a NPS account and have a grievance on the services provided. To whom shall I report and how?**
  The subscriber can raise grievance through any of the modes mentioned below:
    - **Call Centre/Interactive Voice Response System (IVR)**
        - The Subscriber can contact the CRA call center at toll free telephone number 1-800-222080 and register the grievance by using T-PIN.
        - Dedicated Call center executives.
    - **Physical forms direct to CRA**
        - The Subscriber may submit the grievance in a prescribed format to the POP – SP who would forward it to CRA Central Grievance Management System (CGMS).
        - Subscriber can directly send form to CRA.
    - **Web based interface**
    - The Subscriber may register the grievance at the website www.npscra.nsdl.co.in with the use of the I-pin allotted at the time of opening a Permanent Retirement Account.

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Government of India
Ministry of Finance
Department of Expenditure
Controller General of Accounts
Lok Nayak Bhawan, Khan Market
New Delhi.

Dated 20.4.2005

OFFICE MEMORANDUM

The field offices while implementing the New Pension Scheme have raised a number of queries and sought clarifications on various issues. These queries have been examined and the comments of this office are given below:-

Sl No	Queries	Replies/comments
1.	Whether individual is entitled for leave encashment after retirement	The benefit of encashment of leave salary is not a part of the retirement benefits admissible under Central Civil Services (Pension) Rules, 1972 it is payable in terms of CCS (Leave) Rules which will continue to be applicable to the government servants who join the government service on after 1-1-2004. Therefore, the benefit of encashment of leave salary payable to the governments / to their families on account of retirement / death will be admissible.
2.	Whether retirement gratuity is available to the new entrants.	The matter has been taken up with the Ministry of Finance, Department of Economic Affairs. Reply is awaited.
3.	At exit i.e after age 60 years why 40% of pension wealth to purchase the annuity is mandatory.	This provision is a part of the New Pension Scheme. This provision has been made with an intention that the retired government servant should get regular monthly income during their retired life.
4	What benefits will he/she get in the event of death in service	The matter has been referred to Min of Fin DEA. Their clarification is still awaited
5.	Whether any minimum age or minimum service is required to quit from Tier-I	Exit from Tier-I can only take place when an individual leaves government service
6	Whether Dearness Pay is counted as basic pay for recovery of 10% for Tier -I	As per the scheme the total Dearness Allowance is to be taken into account for working out the contributions. Subsequently, a part of the "Dearness Allowance" has been treated as Dearness Pay. Therefore, this should also be reckoned for the purpose of contributions
7.	When individual is on long leave/HPL/EOL, how the contributions are to be recovered.	This has already been referred to Min of Finance Department of Economic Affairs. Their reply is awaited
8.	Whether contribution towards	The matter has been referred to Ministry of

	tier –I is taken as income for the purpose of calculation of income Tax or it will be exempted	Finance Department of [illegible]
9	Whether contribution towards Tier-I from arrears of DA is to be deducted	Yes, since the contribution is to be worked out at 10% of Pay+ DP+ DA it needs to be revised whenever there is any change in these elements.
10	Whether any budget provision is to be made for booking the Government contribution under the Functional Major head	At present the Govt matching contributions are booked under the minor head "[illegible]" which is a transitory head. No budget provision is required. Before the accounts are closed, the balances under this head should be transferred to the final head. No balance should remain under this head. After the accounting heads are finalized the amount of government contribution should be debited to a functional major head for which there should be provision of funds
11.	Can any individual continue to contribute under tier –I even after the age of 60 years.	The matter has been referred to DEA for clarification.
12.	What will be the formula for rounding off when 10% of (basic+ DA) will be recovered from the salary of the Government servant.	The contributions payable by the government servants and those paid by the government should be rounded off to the nearest rupee in terms of the instructions contained in Appendix II of Central Government Accounts (Receipt & Payment) Rules, 1983.
13.	It is presumed that the bill pertaining to the matching contribution would be a 'NIL' bill.	It is confirmed that the bill for drawal of matching contribution by government will be a "NIL" bill. The amount of government's contributions will be transferred by debit to "502-Expenditure Awaiting Transfer to Other Heads / Department" for credit to the head "8342-Other Deposits" No amount will be paid on this bill.
14.	For the purpose of simplification basic pay plus D.A. may be taken as fixed for the entire year. This would obviate the need for calculation of D.A. arrears twice in a year and increment once and consequent preparation of supplementary bills.	The issue was examined by this office and it was not agreed to. It has been decided that whenever there is any increase or decrease in emoluments of a government servant during the middle of a month, the change in the rate of contribution (both government servant and government) will be given effect only from the first of the following month
15.	Who will calculate the interest- PAO or Central Pension Accounting Office?	The PAO should calculate the interest
16.	Since Cheque drawing DDOs are having the budget with them how the PAO will pass the bill and give payment without budget?	The PAOs should be aware of the progressive expenditure in respect of CDDOs. Moreover, they may obtain a certificate with regard to availability of funds on each bill itself.
17.	Instead of preparing a separate bill for the matching contribution the feasibility of incorporating a separate column regarding	Since the contributions payable by the government servants and the matching contributions paid by the government are debitable to different heads, these two items cannot be drawn [illegible]

	...vernment's contribution in the same bill may be explored	
	Whether the New Pension Scheme is applicable for the officials initially appointed on daily wages and later on conferred 'temporary status' and contributing towards GPF and whose services are regularized on or after 1-1-2004	The matter is being referred to DOPT
19.	What happens if an employee gets transferred during the month? Which office will make deduction of contributions?	As in the case of other recoveries, the recovery of contributions towards NPS for the full month (both individual and government) will be made by the office who will draw salary for the maximum period.
20	Whether the non-practicing allowance (NPA) payable to medical officers will count towards 'pay' for the purpose of working out contributions to NPS?	Yes. Ministry of Health & Family Welfare has clarified vide their O.M. no. A45012/11/97-CHS.V dated 7-4-98 that the Non-practising Allowance shall count as 'pay' for all service benefits. Therefore, this will be taken into account for working out the contributions towards the New Pension Scheme.
21	Whether a government servant who was already in service prior to 1-1-2004, if appointed in a different post under the government of India will be governed by the CCS (P) Rules or New Pension Scheme.	In cases where government servants apply for posts in the same or other departments and on selection they are asked to render technical resignation the past services are counted towards pension under CCS (Pension) Rules, 1972. Since the government servant had originally joined government service prior to 1-1-2004, he should be covered under the CCS (Pension) Rules, 1972.

The Pr.CCAs/CCAs/CAs/DCAs are requested to circulate the above clarifications to the PAOs/DDOs/CDDOs under their Ministry/Department/Offices

(Rajesh Kumar)
Dy. Controller General of Accounts

Pr.CCAs/CCAs/CAs/DCAs