पेंशन निधि विनियामक और विकास प्राधिकरण
PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY

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प्रमाणन

पेंशन बुलेटिन प्रत्येक महीने नीति अनुसंधान, मार्केट वॉच और सिस्टमिक रिस्क विभाग द्वारा, पेंशन बुलेटिन संपादकीय समिति के निर्देशन में जारी किया जाता है। समिति और पीएफआरडीए व्याख्याओं और प्रकट किए गए मतों के लिए उत्तरदायी नहीं हैं। लेखों के मामले में, जिम्मेदारी लेखक की होती है, न कि पीएफआरडीए की।

तिप्पणियाँ और अवलोकन कृपया विभाग को market.watch@pfrda.org.in पर अग्रेषित किए जा सकते हैं।

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Glossary

AA	Account Aggregators
AIF	Alternate Investment Fund
DPDP Act	Digital Personal Data Protection Act, 2023
APY	Atal Pension Yojana
ASP	Annuity Service Provider
AUM	Asset Under Management
CAGR	Compounded Annual Growth Rate
CDD	Client Due Diligence
CFT	Combating the Financing of Terrorism
CIP	Customer Identification Procedures
CKYCR	Central KYC Records Registry
CRA	Central Recordkeeping Agency
CPI	Consumer Price Index
DC	Defined Contribution
Debt-VRR	Debt Voluntary Retention Route
E	Equity and Related Instruments
EPF	Employees Provident Fund
EPFO	Employees Provident Fund Organization
ETF	Exchange-Traded Fund
EU	European Union
FAR	Fully Accessible Route
FBIL	Financial Benchmark India Pvt. Ltd.
FII/FPI	Foreign Institutional Investors/Foreign Portfolio Investors
FIP	Financial Information Providers
FIU	Financial Information Users
FSDC	Financial Stability and Development Council
G	Government Bonds and Related Instruments

G-sec	Government securities
GBP	Pound Sterling
GDP	Gross Domestic Product
GST	Goods and Service Tax
GSTN	Goods and Services Tax Network
IGB	Indian Government Bonds
INR	Indian Rupee
IIP	Industrial Production Index
IRDAI	Insurance Regulatory and Development Authority of India
IT Act	Information Technology Act, 2011
KYC	Know Your Customer
LTCG	Long Term Capital Gain
NBFC	Non-Banking Financial Company
NPS	National Pension System
OECD	Organization for Economic Cooperation and Development
PIPE	Private Investment in Public Equity
PoP	Points of Presence
RBI	Reserve Bank of India
REIT	Real Estate Investment Trust
SBI	SBI Pension Funds Private Limited
STCG	Short Term Capital Gain
TATA	Tata Pension Management Limited
USD	United States Dollar
UTI	UTI Retirement Solutions Limited
VCF	Venture Capital Fund
WPI	Wholesale Price Index

पेंशन निधि विनियामक और विकास प्राधिकरण
PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY

November 2024

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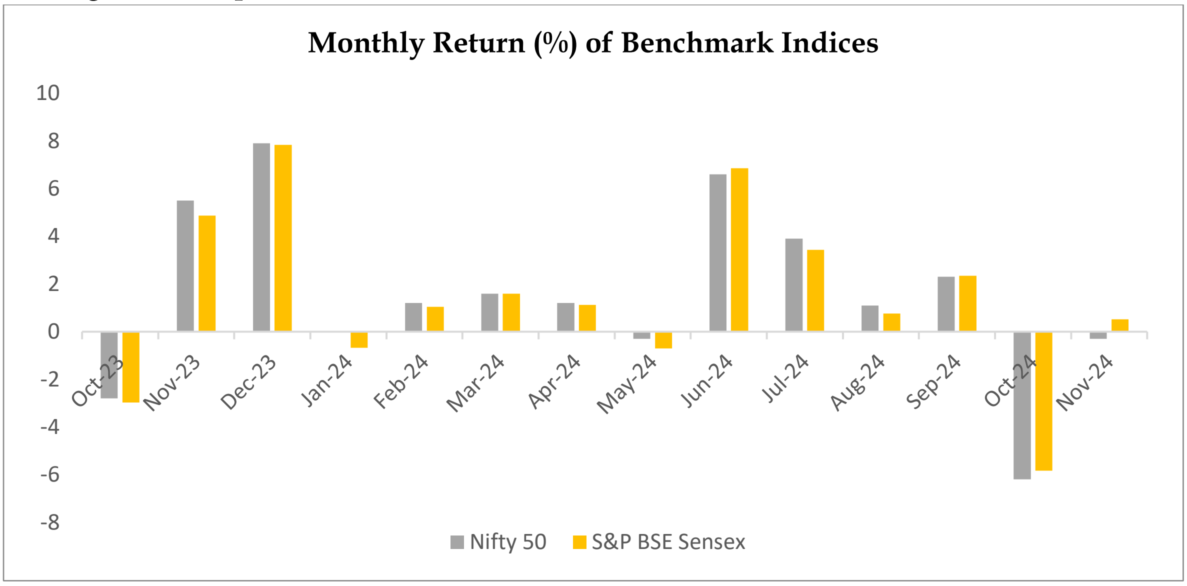
Section 1/खंड 1

Economy/ अर्थव्यवस्था

Indian Economy[1]

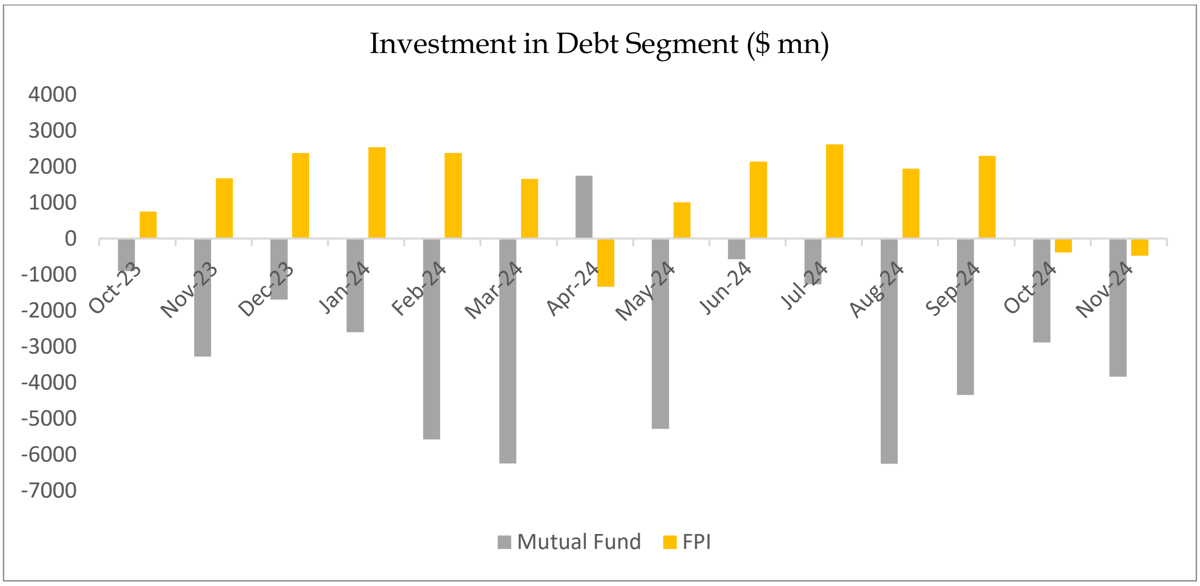
Capital Market

The benchmark Indian indices saw a slight change in November 2024. The Nifty 50 index dropped by 0.3 percent, closing below the 24,132 level, marking its lowest point in five months. On the other hand, the BSE Sensex posted a 0.5 percent gain during the month. In contrast, both indices had experienced declines of 6.2 percent and 5.8 percent, respectively, in the previous month.



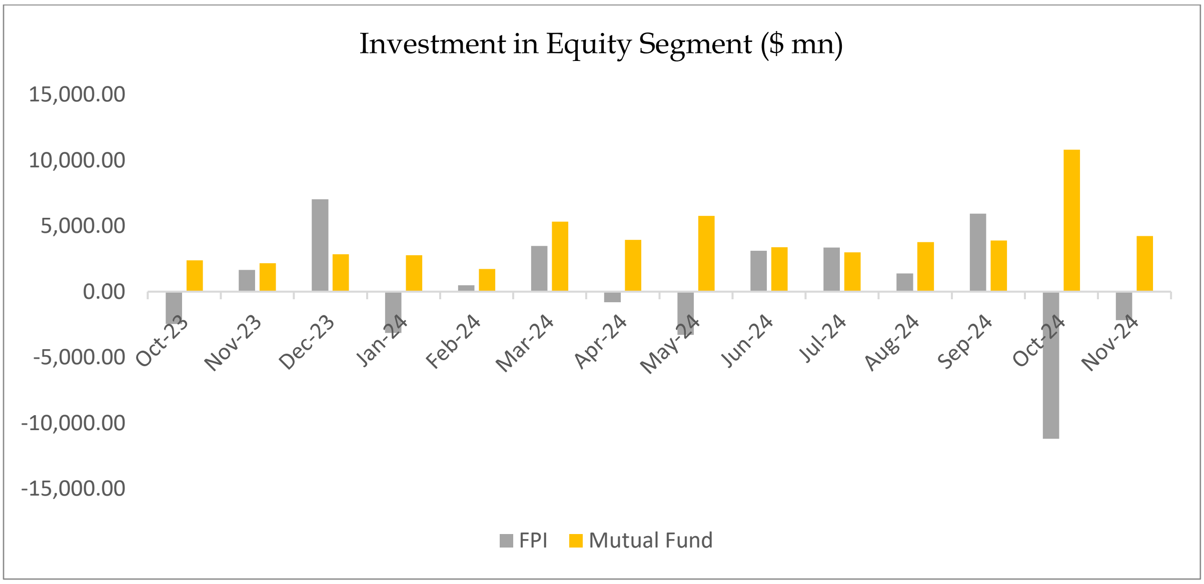
November marked the second consecutive month of foreign fund outflows, with Foreign Portfolio Investors (FPI) withdrawing USD 2.3 billion. However, this was significantly lower than the substantial outflow of USD 11.4 billion in October, which was the largest since March 2020. From June to September, FPIs had been investing an average of USD 6.1 billion per month, with investments ranging between USD 4.2 billion and USD 9.6 billion during those four months. FPI investments now encompass equity, debt, mutual funds (MFs), and alternative investment funds (AIFs). November saw notable outflows from both the equity and debt segments.

[1] The data used in this section has been taken from CMIE's Economic Outlook and MOSPI.



Divestments from the equity segment amounted to USD 2.2 billion, following a substantial outflow of USD 11.2 billion in the previous month. The FPI witnessed outflows in the first half of November totalling USD 3.2 billion, while in the second half it saw net inflows of USD 1 billion.

The debt segment also saw divestments in November, with FPIs withdrawing USD 0.5 billion, following net outflows of USD 0.4 billion in the previous month. In contrast, Domestic Institutional Investors (DIIs) invested USD 5.2 billion in the Indian equity market in November, building on a record-high investment of USD 12.1 billion in the previous month.

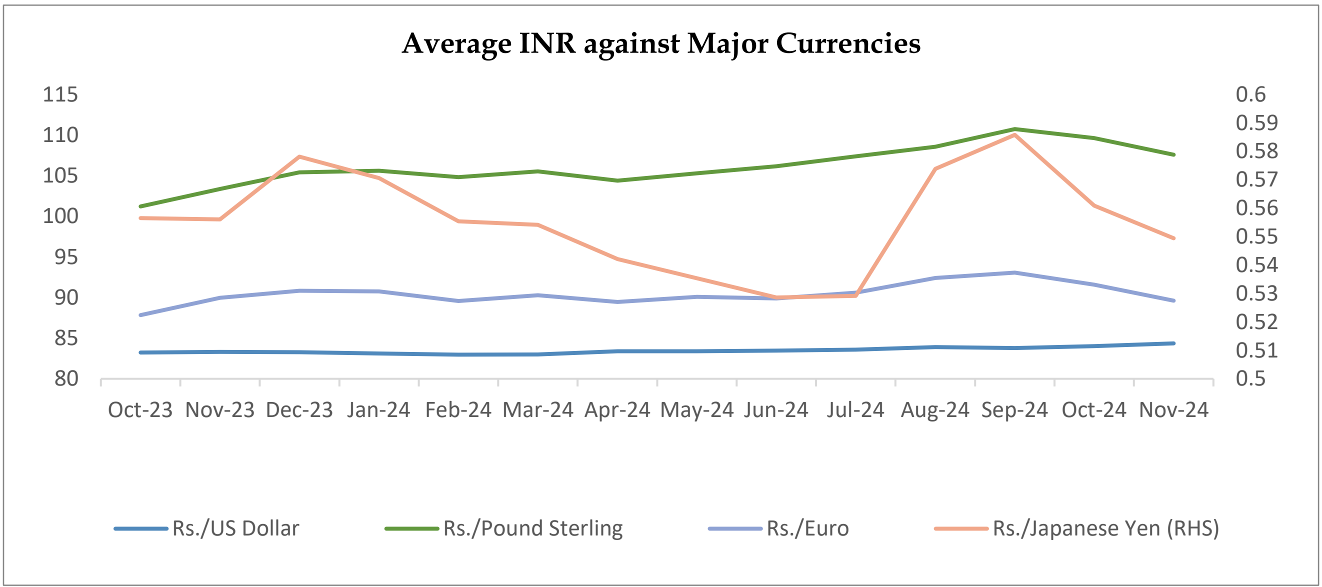


Indian Currency

In November, the Indian Rupee (INR) weakened against the US Dollar, while it appreciated against other major currencies such as the Pound Sterling (GBP), the Euro (EUR), and the Japanese Yen (JPY). The INR depreciated by 0.4 percent during the month, averaging an exchange rate of Rs.84.36 per USD. Since June 2024, the Rupee has generally been depreciating against the US Dollar, with exceptions in September. On

November 22, the exchange rate hit a historic low of Rs.84.50 per USD.

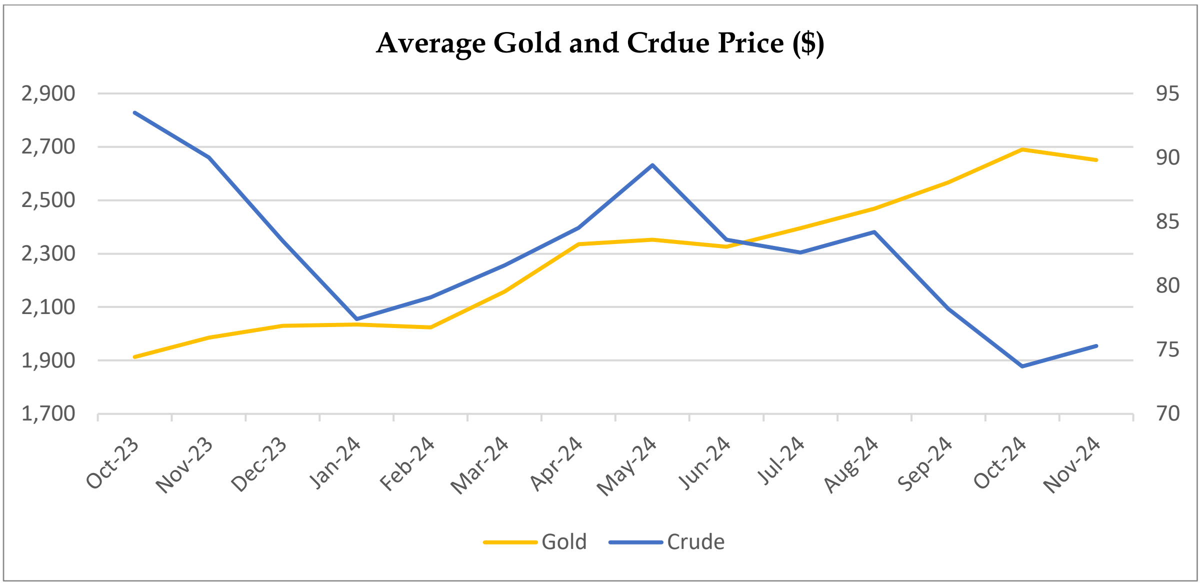
The INR appreciated against the GBP, EUR, and JPY for the second consecutive month, following a three-month period of depreciation. Against the Pound Sterling, the INR rose by 1.9 percent, averaging Rs.107.57 per GBP. It strengthened by 2.2 percent against the Euro, averaging Rs.89.69 per EUR. The INR also gained 2.1 percent against the Japanese Yen, averaging Rs.0.5494 per JPY in November.



Commodity Price

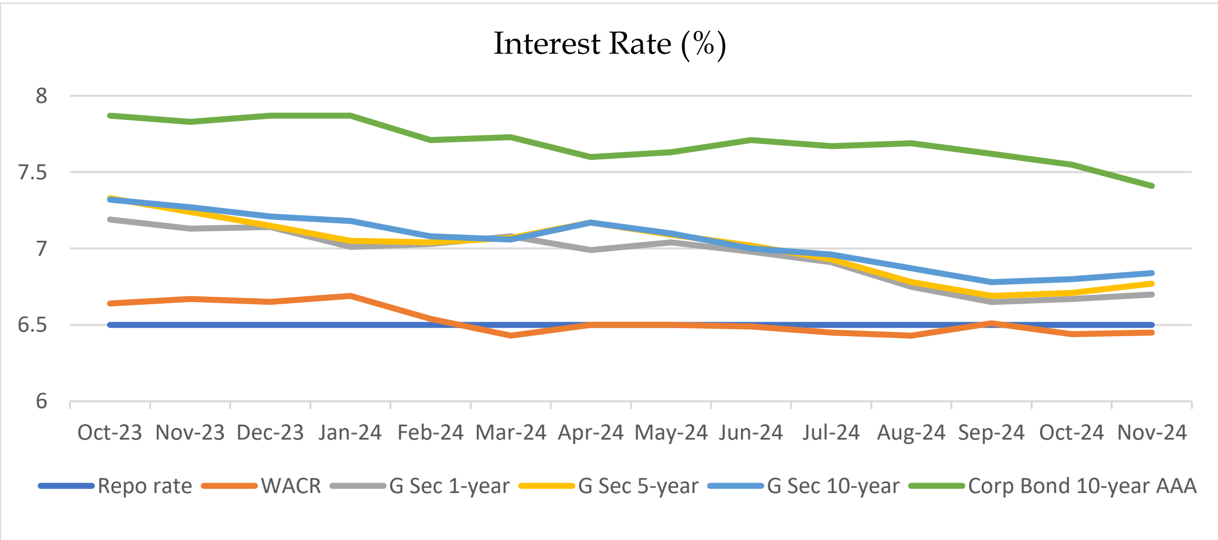
The price of the Indian basket of crude oil dropped by 2.9 percent in November 2024, averaging USD 73.1 per barrel. In November, the price remained below the USD 80 per barrel mark for the fourth consecutive month. The average price in November was the lowest since September 2021. Throughout the month, crude oil prices fluctuated within a range of USD 71.3 to USD 74.8 per barrel.

In November 2024, gold prices on the London Bullion market averaged USD 2,650.7 per troy ounce, marking a 1.5 percent decline after a significant 4.8 percent increase in the previous month. Gold had reached a record high of USD 2,690.1 per troy ounce in October. Domestically, gold prices in the BSE spot market fell by 1 percent in November, following two months of increases. The average price was Rs.75,956.9 per 10 grams.



In November 2024, yields on Government securities (G-secs) increased across all maturities for the second consecutive month. While yields had slightly risen in October, they had been declining since May for all securities except 1-year bonds. Yields on 1-year G-secs, which had been falling for four months, reversed this trend and rose significantly in November, climbing three basis points (bps) to an average of 6.70 percent. Yields on 3-year and 5-year G-secs each rose by six bps, averaging 6.75 percent and 6.77 percent, respectively. The benchmark 10-year G-sec yield also increased by four bps, averaging 6.84 percent. Long-term yields, such as those on 12-year and 15-year G-secs, rose by six and five bps, respectively, with monthly averages of 6.91 percent and 6.89 percent in November.

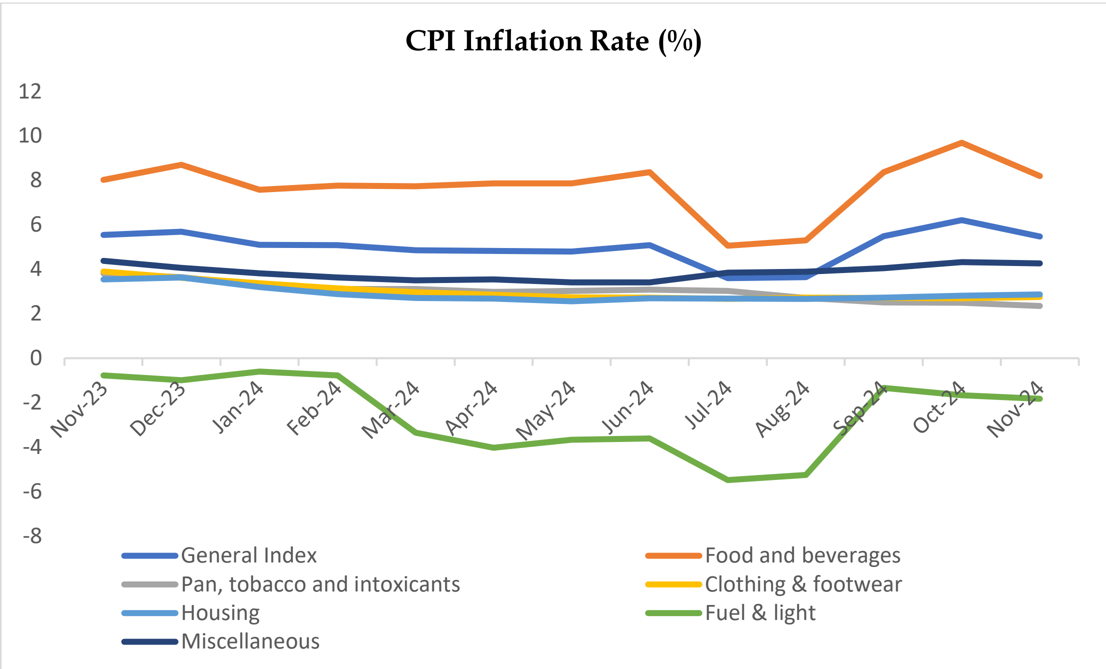
In November, the yields on AAA-rated corporate bonds with short and long-term maturities showed mixed trends. The yield on one-year corporate bonds increased by 10 basis points, reaching an average of 7.79%. In contrast, yields on longer-term bonds decreased. Three-year bond yields dropped slightly by one basis point, averaging 7.55%. The yield on five-year AAA-rated bonds declined by nine basis points to a weighted average of 7.54%. Meanwhile, the yield on 10-year corporate bonds fell by thirteen basis points, averaging 7.41%.



CPI Inflation

Year-on-year inflation rate based on All India Consumer Price Index (CPI) for the month of November, 2024 over November, 2023 is 5.48% (Provisional). Corresponding inflation rates for rural and urban are 5.95% and 4.83%, respectively. Year-on-year inflation rate based on All India Consumer Food Price Index (CFPI) for the month of November, 2024 over November, 2023 is 9.04%.

After December 2023, inflation rate for both CPI(General) and CFPI were declining, reaching their lowest point in July 2024. However, from August, 2024 to October. 2024, an increasing trend was observed. In November, 2024 inflation has again declined. The decline in inflation in November 2024 is mainly due to decline in inflation in "food & beverages" group.



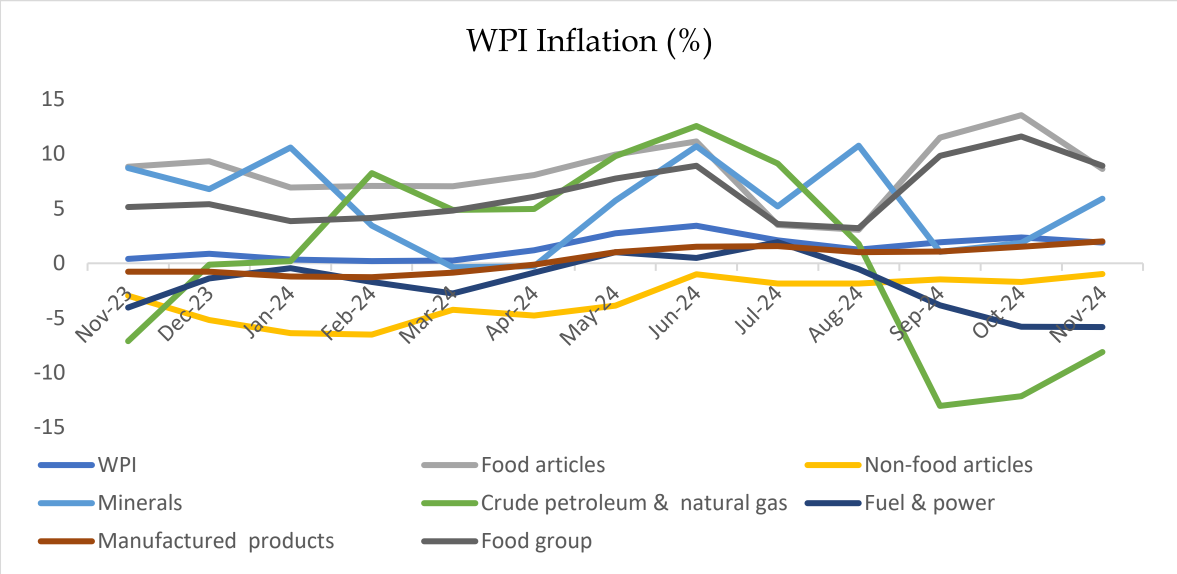
WPI Inflation

The annual rate of inflation based on all India Wholesale Price Index (WPI) number is 1.89% (Provisional) for the month of November, 2024 (over November, 2023). Positive rate of inflation in November, 2024 is primarily due to increase in prices of food articles, food products, other manufacturing, textiles, machinery & equipment, etc.

Primary Articles increased by 5.49% in November, 2024 over November 2023. Increase in price index was witnessed in food articles (8.63%) and minerals (5.89%). Non-food articles (-0.98%) and Crude & Natural gas (-8.11%) witnessed decline in November 2024 over the corresponding period of last year. Fuel & Power price index declined by -5.83% due to decline in prices of petrol and HSD during the same period.

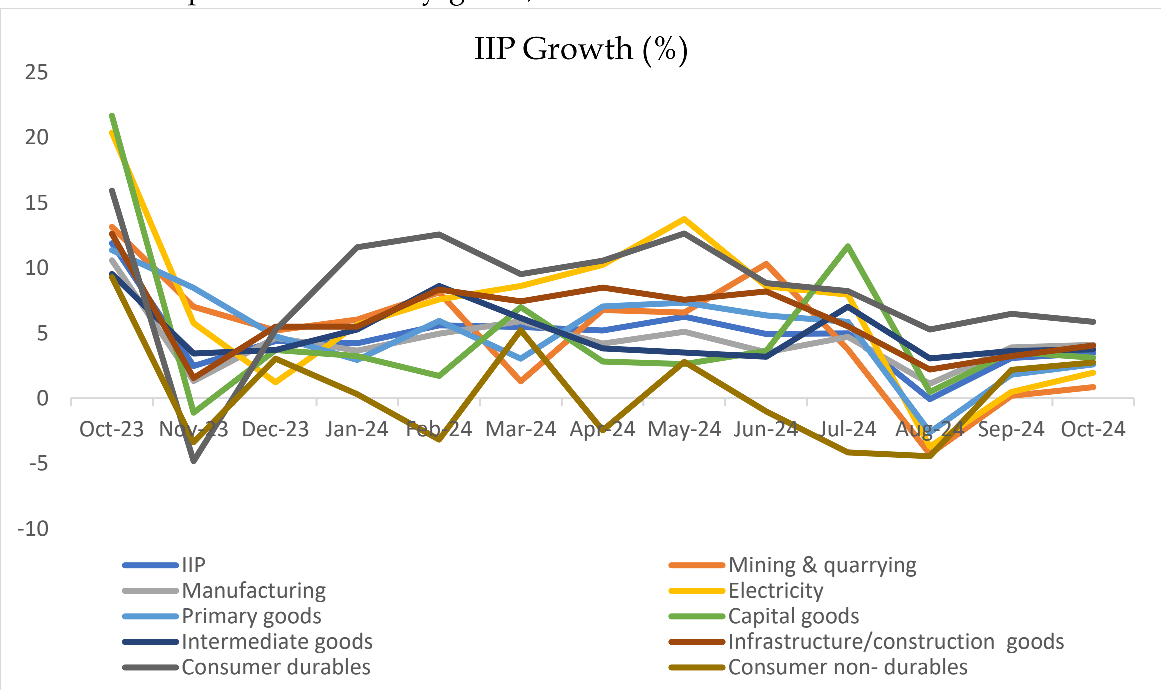
The price index of Manufactured Products increased by 2.00% in November, 2024. The main contributor to the rise in manufacturing products is Food products (9.44%). Price of non-metallic mineral products, fabricated mineral products and basic metals have declined during November 2024.

The rate of inflation based on WPI Food Index decreased from 11.59% in October, 2024 to 8.92% in November, 2024.



The IIP growth rate for the month of October 2024 is 3.5 percent which was 3.1 percent in the month of September 2024. The growth rates of the three sectors, Mining, Manufacturing and Electricity for the month of October 2024 are 0.9 percent, 4.1 percent and 2.0 percent respectively.

The corresponding growth rates of IIP as per Use-based classification in October 2024 over October 2023 are 2.6 percent in Primary goods, 3.1 percent in Capital goods, 3.7 percent in Intermediate goods, 4.0 percent in Infrastructure/ Construction Goods, 5.9 percent in Consumer durables and 2.7 percent in Consumer non-durables. Based on use-based classification, top three positive contributors to the growth of IIP for the month of October 2024 are – Primary goods, Intermediate goods, and Consumer durables.



India's real GDP is projected to grow by 5.4% in Q2 of FY 2024-25, compared to an 8.1% growth in Q2 of FY 2023-24. Despite weak performance in the Manufacturing (2.2%) and Mining & Quarrying (-0.1%) sectors in Q2 of FY 2024-25, real GVA for the second quarter of the year (July-September) has grown by 5.6%.

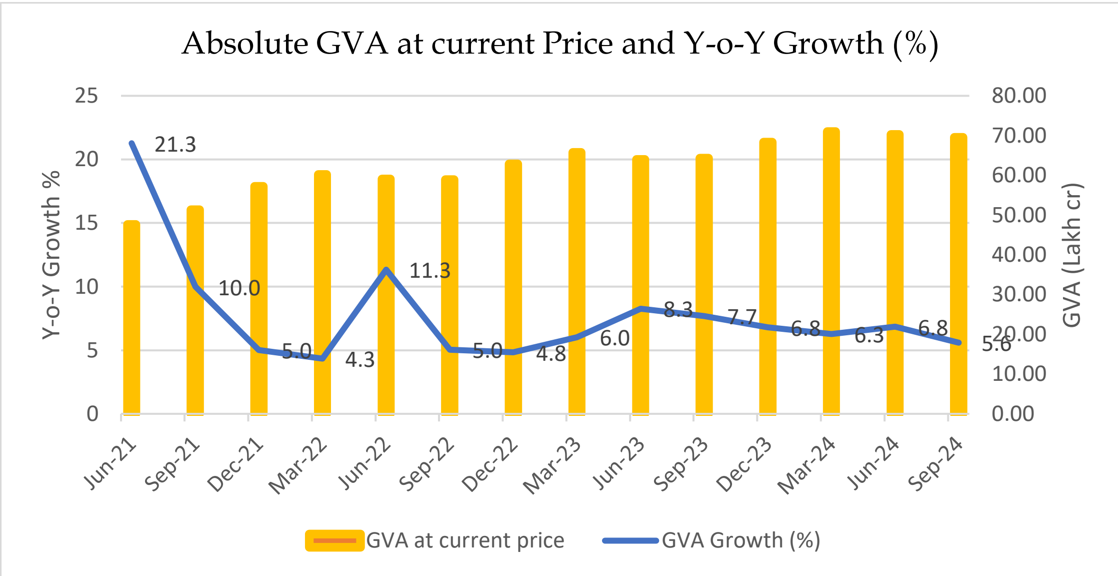
The Agriculture and Allied sector has shown recovery with a growth rate of 3.5% in Q2 of FY 2024-25, after slower growth ranging from 0.4% to 2.0% in the previous four quarters.

The Construction sector experienced growth of 7.7% in Q2 of FY 2024-25, driven by consistent domestic demand for finished steel.

The tertiary sector grew by 7.1% in Q2 of FY 2024-25, up from 6.0% in the same period last year. Specifically, the Trade, Hotels, Transport, Communication, and Broadcasting Services sectors saw a growth rate of 6.0% in Q2 of FY 2024-25, compared to 4.5% in Q2 of FY 2023-24.

Private Final Consumption Expenditure (PFCE) increased by 6.0% in Q2 of FY 2024-25, compared to 2.6% in Q2 of the previous year.

Government Final Consumption Expenditure (GFCE) rebounded with a growth of 4.4%, following negative or low growth in the previous three quarters.



Data Table

Economic Indicators

Indicators	**Nov-23**	**Oct-24**	**Nov-24**	**YoY change (% / bps)**
FPI Equity Investments (USD billion)	2.91	-11.44	-2.25	-177.32
Rupees per dollar	83.30	84.03	84.36	1.27
Rupees per Pound Sterling*	103.36	109.65	107.57	4.07
Rupees per Euro*	89.99	91.57	89.63	-0.40
Rupees per Japanese Yen*	0.5561	0.5609	0.5494	-1.20
Gold (USD/troy ounce)*	1985.30	2690.10	2650.70	33.52
Crude Oil (USD/Barrel)*	83.50	75.30	73.10	-12.46
Weighted Average Call rate (%)	6.67	6.44	6.45	-22
Market repo rate (%)	6.50	6.50	6.50	0
G sec 1-year (%)	7.13	6.67	6.70	57
G sec 10-year (%)	7.27	6.80	6.84	-43
AAA rated corporate bond 10-year (%)	7.83	7.55	7.41	-42
CPI Inflation (%)	5.55	6.21	5.48	-7
WPI Inflation (%)	0.39	2.36	1.89	150
IIP# (%)	11.90	3.10	3.50	-840

 # IIP data as on Oct 2023, Sep 2024 and Oct 2024 respectively.
** Average Monthly Exchange Rate*

Section 2/खंड 2

Article/लेख

Systematic Lumpsum Withdrawal-Reaping Benefits from NPS even after Exit[2]

A subscriber can exit from National Pension System (NPS) upon attaining the age of superannuation as prescribed by the service rules applicable to him or her. As per PFRDA (Exits and Withdrawals under the NPS) Regulations, 2015 (Exit Regulations) and amendments thereto, subscriber has various choices to choose from at the time of exit from NPS-

(i) Subscriber can exit from NPS with minimum 40% of accumulated corpus to be utilized for purchase of annuity and maximum 60% of accumulated corpus to be taken out as lumpsum.

(ii) Subscriber can purchase the annuity immediately with the option to defer the withdrawal of lumpsum amount upto the age of 75 years.

(iii) Subscriber can withdraw the lumpsum amount and defer the purchase of annuity upto the age of 75 years.

Subscriber also has the option to continue the NPS account and keep contributing to NPS even after attaining the age of superannuation, upto the maximum age of 75 years.

One of the main dilemmas and risks faced by the investor/subscriber at the time of superannuation is reinvestment of the pension corpus received. Several factors may affect the value of the pension corpus received at the time of superannuation, such as the market outlook, the tax implications etc.

Further, receiving a large sum of money at retirement can result in excessive spending, wasteful expenditures, or investments in high-risk assets, and it may also heighten the risk of financial fraud.

Just as Systematic Investment Plan (SIP) helps the individuals to steadily build their wealth by regularly investing small amounts, Systematic Lumpsum Withdrawal (SLW) enables individuals to systematically draw down their savings, during the de-accumulation stage.

In this context, the concept of Systematic Lumpsum Withdrawal (SLW) under NPS gains significance.

SLW under NPS

In accordance with Regulation 3 and Regulation 4 of PFRDA Exit Regulations the option of phased withdrawal of the lump sum through Systematic Lump Sum Withdrawal facility has been provided to the subscribers.

Systematic Lump Sum Withdrawal refers to the process wherein an NPS subscriber withdraws a predetermined amount from his accumulated corpus at regular intervals after retirement, rather than withdrawing the entire corpus in one go.

Thus, SLW allows investors to receive regular payouts taking into account the cash flow needs after retirement, while ensuring capital appreciation of the remaining corpus and protecting it from the vagaries of the financial markets at the time of one-time lumpsum withdrawal at the time of superannuation.

This method enables subscribers to receive periodic payments while retaining the remaining funds in their NPS account, allowing for continued growth through market-linked returns. The systematic withdrawal approach aligns with the broader

[2] *The author of the article is Sh. Manmeet Nagar, Assistant General Manager, PFRDA. The views expressed in the article are personal and do not necessarily represent that of the Authority.*

objective of the NPS, which is to provide a steady and sustainable income during retirement.

The subscribers are allowed to withdraw up to 60% of their pension corpus, through the SLW on a periodical basis viz. monthly, quarterly, half-yearly or annually.

Two different options are available to the subscribers for opting SLW:

i. SLW based on age – In this option, Subscriber can select his/her age up to which SLW facility is required
ii. SLW based on instalment amount – In this option, Subscriber can select the amount which he wishes to withdraw systematically as per decided frequency.

The phased withdrawals in SLW can be taken upto the maximum permitted age under NPS i.e. 75 years.

If Subscriber wishes to modify/cancel SLW, then the same is also permitted during SLW period.

In case of unfortunate demise of subscriber during SLW, the balance lump sum amount remaining in the corpus will be paid to the nominee / legal heirs.

Further, while opting for SLW, the subscriber can either opt to defer their annuity till 75 years of age or commence it immediately upon superannuation.

Practical Example: A Corpus of ₹1 Crore in Systematic Lump Sum Withdrawals

Consider an NPS subscriber who has accumulated a corpus of ₹1 crore at the time of retirement. According to Exit regulations, the subscriber must allocate 40% of the corpus (₹40 lakh) to purchase an annuity, which will provide regular pension income. The remaining ₹60 lakh can be utilized for systematic lump sum withdrawals as per following details-

- **Initial Corpus for SLW**: ₹60 lakh
- **Withdrawal Frequency**: Annual
- **Withdrawal Amount**: ₹6 lakh per year (10% of the SLW corpus)[3]
- **Assumed Rate of Return on Remaining Corpus**: 8% per annum[4]

Even after withdrawing a substantial amount of Rs 6 Lacs annually, the corpus does not deplete rapidly due to the compounding returns at 8%. After 10 years, an amount of Rs 35.66 Lacs will be remaining i.e. more than half of the initial SLW corpus remains intact. Moreever, if the SLW period is selected as 15 years, the remaining amount after will be 14.38 Lacs after withdrawing Rs 90 Lacs from the corpus.

By combining the systematic withdrawal of ₹6 lakh annually with the annuity income, which can range from approximately ₹2.85 lakh (with the return of purchase price) to ₹3.40 lakh (without the return of purchase price), the subscriber can secure a substantial and reliable retirement income[5]. This strategy effectively balances regular withdrawals with a steady annuity stream, ensuring financial stability throughout retirement.

Further, in case the subscriber needs the lumpsum at any point of time, the SLW can be cancelled and the remaining amount can be withdrawn in one go.

[3] Withdrawal has been considered at the beginning of the year.

[4] Return of 8% per annum has been considered for this computation, however, returns since inception have been more than 9% under NPS.

[5] Annuity amount has been calculated for corpus of Rs 40 Lacs for a subscriber of 60 years with spouse of 60 years for Joint Life Annuity option.

Benefits of Systematic Lump Sum Withdrawals:

Steady Income Stream: By opting for systematic withdrawals, subscribers can create a regular income stream that can supplement their annuity payments, ensuring that they have sufficient regular income.

Continued Investment Growth: The portion of the corpus that remains invested in the NPS account continues to benefit from market-linked returns, potentially enhancing the overall retirement corpus over time.

Financial Flexibility: Systematic withdrawals offer greater financial flexibility compared to a one-time lump sum withdrawal. Subscribers can adjust the withdrawal amount and frequency based on their changing financial needs, such as medical expenses, travel plans, or other contingencies.

Prevents reinvestment risk and panic selling in case of an economic downturn and offers benefits in a bull market.

Important points to keep in mind while opting for SLW:

It is important to correctly assess the cash flow requirements after retirement while opting for SLW. Over withdrawal can cause depletion of the corpus, thus jeopardizing the sustainability of the corpus over the long term. On the other hand, underestimating one's financial needs can also lead to financial distress. Selection of investment choice which is less prone to the volatilities of the market and is able to offer stability of income should also be considered.

Conclusion: For subscribers with a significant corpus, SLW provides financial stability, flexibility, and the potential for sustained wealth accumulation during retirement. By carefully planning withdrawals and considering market conditions, NPS subscribers can optimize their retirement finances, ensuring a comfortable and secured post-retirement life. As the NPS continues to evolve, systematic lump sum withdrawals will likely remain a key feature in helping subscribers achieve a financially secure retirement.

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2. https://npscra.nsdl.co.in/download/Systematic%20Lumpsum%20Withdrawal(SLW).pdf
3. https://npstrust.org.in/sites/default/files/SLW_FAQ_booklet%20New_2.pdf

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Section 3/खंड 3

International Section/ अंतर्राष्ट्रीय खंड

Hong Kong Pension System

Hong Kong, China, has a multi-pillar pension framework designed to address the retirement needs of its population. Given its aging demographic and limited social welfare provisions, the pension system emphasizes individual savings, employer-based contributions, and government support for those in need. The system includes the Mandatory Provident Fund (MPF), occupational retirement schemes, and social security programs, each serving different segments of the population.

1. The Mandatory Provident Fund (MPF) System

The Mandatory Provident Fund (MPF) system was established in December 2000 as a statutory retirement savings scheme to address the city's aging population and enhance financial security for its workforce. It is a compulsory, employment-based system that requires both employers and employees to contribute a percentage of the employee's income to an MPF scheme managed by approved trustees.

Key Features of the MPF System

Compulsory Participation: Employees aged 18 to 64 and self-employed individuals are required to join the MPF system unless they fall under exempt categories (e.g., domestic workers or civil servants covered by other pension schemes).

Mandatory Contributions: Both employees and employers are required to contribute 5% of the employee's monthly relevant income. The contributions are subject to minimum and maximum income levels:

• Minimum Income Level: HK$7,100 per month (employees earning below this threshold are not required to contribute).

• Maximum Income Level: HK$30,000 per month (contributions are capped at HK$1,500 each for both employer and employee).

Account Structure

Contributions are allocated into individual MPF accounts, comprising two main types:

• Contribution Account: The contribution account is the account that holds the MPF contributions made by both the employer and the employee. These contributions are typically made on a monthly basis, and the funds in this account are invested in accordance with the investment choices selected by the employee. It holds mandatory and voluntary contributions during employment.

• Preserved Account: A preserved account is an MPF account that holds the funds an employee has accumulated when they leave a job or switch employers. When an employee leaves a job, the balance of their contribution account is transferred to a preserved account. The funds in a preserved account remain in the MPF system but are "preserved" for future use, typically until the employee reaches the retirement age or becomes eligible for an early withdrawal (under specific conditions).

Investment Options

MPF scheme members can choose among various funds, including equity funds, bond funds, mixed-asset funds, and guaranteed funds.

The Default Investment Strategy (DIS) was introduced in 2017 to simplify decision-making for members who do not select specific investment options. The DIS provides lifecycle investment strategies with gradual de-risking as members approach retirement age.

Portability and Flexibility

Employees can transfer their contributions to a different MPF provider when changing jobs, ensuring portability within the system.

Voluntary contributions are permitted to supplement mandatory contributions, offering additional flexibility to enhance retirement savings.

Withdrawal

Accrued benefits can typically be withdrawn at age 65 or under specific circumstances, such as permanent departure from Hong Kong, early retirement at age 60, or severe disability.

Reforms and Future Outlook

The MPF system has undergone continuous enhancements to address emerging challenges. Key reforms include:

Introduction of the eMPF Platform: A centralized digital platform is being developed to streamline administrative processes, improve efficiency, and reduce costs for both members and trustees.

Greater Emphasis on ESG Investments: Incorporating Environmental, Social, and Governance (ESG) factors into fund management to align with global trends and investor preferences.

The MPF system is expected to remain a cornerstone of Hong Kong's retirement framework, adapting to demographic shifts and economic conditions to ensure long-term sustainability and adequacy for its participants.

2. Occupational Retirement Schemes

Occupational retirement schemes offer an additional layer of retirement benefits for employees, particularly in private sector organizations. These schemes include:

• Occupational Retirement Schemes Ordinance (ORSO): Enacted in 1993, ORSO governs voluntary retirement schemes set up by employers.

• Defined Benefit (DB) and Defined Contribution (DC) Plans: Employers can offer either DB plans, guaranteeing a specific payout, or DC plans, where benefits depend on contributions and investment returns.

• ORSO schemes are popular among large corporations and serve as a supplementary option alongside the MPF system.

3. Social Security and Safety Net

For individuals outside the MPF or occupational schemes, Hong Kong provides limited social security benefits targeting low-income and vulnerable groups. Key components include:

• Old Age Allowance (OAA): Also known as "fruit money," this program provides cash benefits to residents aged 70 and above (or 65 and above with means testing).

• Old Age Living Allowance (OALA): A supplementary benefit for older individuals facing financial hardship, subject to income and asset limits.

• Comprehensive Social Security Assistance (CSSA): A means-tested program offering financial support for those in need, including the elderly.

4. Recent Developments

In recent years, several significant reforms have been introduced to enhance the MPF system:

- eMPF Platform: Launched in June 2024, this digital initiative aims to streamline and automate MPF administration processes. It is expected to enhance operational efficiency and reduce costs significantly—estimated savings could reach between HK$30 billion to HK$40 billion over ten years post-implementation.

- Abolition of Offset Mechanism: Effective May 1, 2025, employers will no longer be allowed to use accrued MPF benefits to offset statutory severance or long service payments. This change aims to strengthen retirement security by ensuring that employees' MPF contributions are preserved for their intended purpose.

- Subsidy Scheme: The Hong Kong government plans to introduce a 25-year subsidy scheme, worth approximately HKD 33 billion, to help employers manage severance and long service payment costs. This initiative is designed to alleviate financial burdens on businesses while ensuring employee benefits remain intact.

5. Current Data

As of mid-2024, the MPF system encompasses approximately 4.7 million members and about 360,000 participating employers. Key statistics include:

- Total Assets Under Management: The aggregate net asset value of all MPF schemes exceeds HK$1.1 trillion (approximately US$140 billion).

- Annualized Return: Since its inception, the MPF has achieved an annualized internal rate of return (net of fees) of about 2.5%.

6. Challenges and Considerations

Despite its foundational role in retirement planning, the MPF system faces several challenges:

• Retirement Savings Gap: Many residents may not accumulate sufficient savings for retirement. Surveys indicate that individuals might need an additional HK$2.4 million (around US$300,000) to meet their post-retirement expenses adequately.

• Adjustment of Income Levels: The minimum and maximum relevant income levels for mandatory contributions have not been adjusted since 2013 and 2014, respectively. Stakeholders anticipate potential increases in these thresholds to reflect wage growth over the past decade.

References:

[1] https://www.fstb.gov.hk/en/financial_ser/MPF-system.htm

[2]

https://iuslaboris.com/insights/hong-kong-pension-update/

[3] https://www.oecd.org/en/publications/pensions-at-a-glance-asia-pacific-2024_d4146d12-en/full-report/hong-kong-china_423a117d.html

Section 4/ खंड 4

Did You Know?

क्या आप जानते हैं?

Pension Markets in Focus 2024 – Key Highlights

The OECD's Pension Markets in Focus 2024 provides an in-depth analysis of global pension market trends, with particular attention to asset-backed pensions. This edition reviews the recovery from 2022's investment losses, examines long-term trends in asset growth, and discusses the ongoing transition from defined benefit (DB) plans to defined contribution (DC) plans.

Key Findings

1. **Growth in Assets Earmarked for Retirement**

- Pension assets in OECD countries grew by 10% in 2023, reaching USD 63.1 trillion by year-end. This growth was driven by:
  - Strong investment performance, particularly in equity markets.
  - Positive cashflows, where contributions exceeded benefit payments and other expenditures.
- Assets is growing at significant pace and now remains just 5% below their 2021 levels.

2. Regional and Structural Variations

- Major pension markets such as the U.S., U.K., and the Netherlands showed slower recovery, with asset levels still below those of 2021.
- Smaller markets like Iceland and Switzerland exhibited stronger performance, often exceeding 2021 levels.
- Emerging markets, such as Armenia and Ghana, displayed rapid asset growth due to recent pension reforms. However, these jurisdictions remain small in absolute terms compared to OECD countries.

3. Investment Performance in 2023

- Investment performance was strong, with nominal returns averaging 10% in OECD countries and real returns at 4.8%.
- The MSCI World Index rose by 20%, contributing significantly to returns. However, markets such as Hong Kong and China underperformed due to local economic challenges.
- Declining yields in late 2023 boosted bond valuations, further enhancing pension providers' returns.

4. Long-Term Trends and the DB-to-DC Shift

- Pension assets more than tripled, from USD 20.8 trillion in 2003 to USD 63.1 trillion in 2023. This growth reflects sustained investment income and policy measures encouraging retirement savings.
- The long-term shift from DB to DC plans continued in 2023. While DB plan funding ratios improved, many employers used favorable conditions to terminate these plans, transferring risks to individuals.

5. Cashflows and Contributions

- Most jurisdictions recorded surpluses, where contributions outpaced benefit payments and expenditures. This was particularly evident in countries with newer mandatory systems, such as Greece and Georgia.
- Mature markets like Canada and Finland faced negative cashflows, driven by high benefit payouts.
- In regions like Zambia and Portugal, early withdrawals and fund liquidations hindered asset growth.

Challenges and Insights

Recovery from 2022 Losses

- While 2023 marked a return to asset growth, recovery was uneven. Major markets like the U.S. and U.K. struggled to offset 2022 losses, especially in bonds and real estate holdings.

Public Pension Reserve Funds

- Public pension reserve funds in most countries saw asset growth in 2023. However, reserves remained below 2021 levels in key jurisdictions, including the U.S., Finland, and France.
- These funds faced significant outflows to cover deficits in pay-as-you-go (PAYG) systems, impacting their overall recovery.

Geographic Disparities

- Countries with mandatory pension systems and high participation rates, like Iceland and the Netherlands, maintained robust asset levels relative to GDP.
- Voluntary and newly established systems in Greece and Turkey showed promising growth but remain limited in scale.

Drivers of Asset Growth

Investment Income

- Equity market gains and improved bond valuations were primary drivers of asset growth in 2023.
- Real estate investments faced challenges, particularly in markets like Canada and Australia, due to rising interest rates and changing work habits.

Contribution Surpluses

- Jurisdictions with newer systems benefitted from higher contribution surpluses, as they had fewer retirees drawing benefits.
- Employment and wage growth in 2023 further boosted contributions. For example, Lithuania saw real wages rise by 4.9%, contributing to one of the largest surpluses in the OECD.

Vulnerabilities and Risks

Aging Populations

- Mature pension systems face sustainability challenges as aging populations increase benefit payouts. For example, Finland and the U.S. saw significant reserve drawdowns to cover deficits.

Market Volatility

- While equity markets contributed positively in 2023, reliance on equities poses risks during downturns. Real estate and private equity investments also showed vulnerabilities.

Early Withdrawals

- Policies permitting early withdrawals (e.g., Zambia's partial withdrawal scheme) can deplete reserves and hinder long-term asset growth.

Future Outlook

Policy Priorities

1. Sustainability: Policymakers must address demographic pressures and ensure balance between contributions and payouts.
2. Diversification: Enhancing investment strategies to reduce over-reliance on equities and mitigate risks from market downturns.
3. Participation: Expanding access to pension systems in underdeveloped and voluntary markets.

Long-Term Asset Growth

- Continued focus on fostering retirement savings, increasing pension participation, and improving funding ratios for DB plans will be essential.
- Strengthening governance and oversight of pension providers will also play a critical role in ensuring financial security for retirees worldwide.

Key highlights of India

Investment Returns:

- India reported nominal investment returns averaging 7.8% annually, with real returns adjusted for inflation being 1.9%.

Cashflows and Contributions:

- India's pension systems experienced a positive average annual cashflow over the last 5 years, with contributions exceeding pay-outs by approximately 15.2% of total assets.

Asset Allocation and Returns:

- Indian pension funds exhibit diversified investment portfolios, focusing on both equity and debt instruments. The report notes steady growth in asset performance due to robust financial market conditions.

This comprehensive evaluation of global pension trends underscores the resilience of pension systems amidst market fluctuations while highlighting areas requiring urgent attention to secure retirement incomes globally.

References: https://www.oecd.org/en/publications/pension-markets-in-focus-2024_b11473d3-en.html

Section 5/ खंड 5

Circulars/Regulations/Guidelines

परिपत्र/विनियम/दिशानिर्देश

Circular No: PFRDA/Master Circular/2024/06/RA-01	
27 November 2024	Master Circular – Guidance to Retirement Advisers

This master circular consolidates the existing instructions on the subject of "Guidance to Retirement Advisers".

Anyone acting or desirous of acting as Retirement Adviser shall obtain certification from the National Institute of Securities Markets (NISM) by passing the "NISM-Series-XVII: Retirement Adviser Certification Examination" to become eligible for grant of certificate of registration as a Retirement Adviser, besides fulfilling other terms and conditions mentioned in the regulations.

"Subsequent Transaction Charges" to be collected by Retirement Advisers – Individuals and Non-Individuals as mentioned vide circular PFRDA/2018/39/RA dated 09th January 2018 has been discontinued from the date of issue of this Master Circular.

The scope of such advice being provided by the Retirement Advisers in any manner, either oral or in writing to the subscribers will be limited to asset/investment allocation and choice of a Pension Fund Manager (PFM) for their financial assets under NPS or any other scheme regulated by PFRDA.

The advisory charges can be collected by the Retirement Adviser (RA) only when the subscriber has signed an agreement with the RA for providing advice. No advisory charges shall be collected at the time of onboarding of the subscriber along with the onboarding charges.

Retirement Advisers shall submit the Annual Compliance Certificate (by both Individual and Non - individual Retirement Advisers) and Annual Certificate duly certified by Chartered Accountant (by the Non-Individual Retirement Adviser) by 30th April of every year to the "Regulation Department" of the PFRDA.

Every Individual Retirement Adviser shall source a minimum number of 36 NPS accounts and Non-individual Retirement Advisor should source a minimum number of 72 accounts during their tenure of registration (i.e. 3 years) as Retirement Adviser to consider their renewal application.

RAs should adhere to the Pension Fund Regulatory and Development Authority (Redressal of Subscriber Grievance) Regulations, 2015 for redressing complaints pertaining to services rendered to NPS subscribers.

Retirement Adviser shall follow the 'Service Standards' as provided, for providing the functions relating to the onboarding of subscribers, instructions/ contributions from subscribers and transmission of the same to designated NPS intermediaries.

Section 6/ खंड 6

NPS/APY Statistics

एनपीएस/एपीवाई आँकड़े

I. Sector Wise Growth / क्षेत्रवार वृद्धि

The total number of subscribers, contributions, and assets under management for the NPS and APY as on 30th November 2024, are as under. The below data is a compilation of data from the three CRAs registered with PFRDA.

i.No. of Subscribers: The number of subscribers in various schemes under the NPS and APY rose to 797.58 Lakh by the end of November 2024 from 690.30 Lakh in November 2023 showing a year-on-year (Y-o-Y) growth of 15.54 %.

Table 1: NPS & APY growth in Subscribers base as on 30th November 2024/ 30 नवम्बर 2024 तक एनपीएस और एपीवाई के अभिदाताओं की संख्या में वृद्धि

S.N. / क्रम संख्या	Sector / क्षेत्र	No. of Subscribers (in lakh) / अभिदाताओं की संख्या (लाख में)			YoY (%) / वार्षिक वृद्धि (%)	Share (%) / हिस्सेदारी (%)
		30-Nov-23	31-Mar-24	30-Nov-24		
i	CG	25.12	26.07	26.87	6.97	3.37
ii	SG	63.45	65.96	68.11	7.34	8.54
	Sub Total	88.57	92.03	94.98	7.24	11.91
iii	Corporate	18.71	19.48	21.92	17.16	2.75
iv	All Citizen	31.63	35.64	39.28	24.19	4.92
v	Vatsalya			0.70		0.09
	Sub Total	50.34	55.12	61.90	22.96	7.76
vi	NPS Lite	33.23	33.28	33.46	0.69	4.20
vii	APY	518.16	555.12	607.24	17.19	76.14
viii	**Grand Total**	**690.30**	**735.56**	**797.58**	15.54	100.00

Source: CRAs

ii. Contribution: As on 30th November 2024, total contribution for both NPS and APY stood at Rs. 9,67,912 crores showing a Y-o-Y growth of 22.59%.

iii. Assets under Management: As of 30th November 2024, the combined pension assets under management for both the NPS and the APY stood at Rs 13,55,292 crores showing a year-on-year growth of 28.52%.

Table 2: NPS & APY growth in Contribution as on 30th November 2024/ 30 नवम्बर 2024 तक एनपीएस और एपीवाई के कॉन्ट्रिब्यूशन में वृद्धि

S.N./ क्रम संख्या	Sector / क्षेत्र	Contribution (Rs. in crore) / योगदान (रु. करोड़ में)			YoY (%) / वार्षिक वृद्धि (%)	Share (%) / हिस्सेदारी (%)
		30-Nov-23	31-Mar-24	30-Nov-24		
(i)	CG	2,06,695	2,19,498	2,47,177	19.59	25.54
(ii)	SG	3,91,208	4,20,085	4,73,933	21.15	48.96
	Sub Total	**5,97,903**	**6,39,583**	**7,21,110**		74.50
(iii)	Corporate	1,05,894	1,16,097	1,37,989	30.31	14.26
(iv)	All Citizen	46,081	52,950	59,837	29.85	6.18
(v)	Vatsalya			42		0.00
(vi)	Tier-II	7,522	8,069	9,406	25.05	0.97
(vii)	TTS	14	16	18	28.57	0.00
	Sub Total	**1,59,511**	**1,77,132**	**2,07,292**		21.42
(viii)	NPS Lite	3,297	3,359	3,490	5.85	0.36
(ix)	APY*	28,834	31,098	36,020	24.92	3.72
	Grand Total	**7,89,545**	**8,51,172**	**9,67,912**	22.59	100.00

** Fig does not include APY Fund Scheme*
Source: CRAs

Table 3: NPS & APY growth in AUM as on 30th November 2024/ 30 नवम्बर 2024 तक एनपीएस और एपीवाई के एयूएम में वृद्धि

S.N./ क्रम संख्या	Sector / क्षेत्र	AUM (Rs. in crore) / एयूएम (रु. करोड़ में)			YoY (%) / वार्षिक वृद्धि (%)	Share (%) / हिस्सेदारी (%)
		30-Nov-23	31-Mar-24	30-Nov-24		
(i)	CG	2,96,195	3,22,215	3,64,416	23.03	26.89
(ii)	SG	5,25,242	5,82,673	6,72,179	27.98	49.60
	Sub Total	**8,21,437**	**9,04,888**	**10,36,595**	26.19	76.48
(iii)	Corporate	1,45,459	1,66,729	2,02,025	38.89	14.91
(iv)	All Citizen	45,698	54,396	62,165	36.03	4.59
(v)	Vatsalya			40		0.00
(vi)	Tier-II	4,746	5,413	6,612	39.32	0.49
(vii)	TTS	15	18	19	26.67	0.00
	Sub Total	**1,95,918**	**2,26,556**	**2,70,861**	38.25	19.99

(viii)	NPS Lite	5,246	5,560	5,954	13.50	0.44
(ix)	APY	31,976	35,647	41,882	30.98	3.09
	Grand Total	**10,54,577**	**11,72,651**	**13,55,292**	**28.52**	**100.00**

Source: CRAs

II. PFM-wise Assets under NPS schemes / पीएफएम के अनुसार एनपीएस योजनाओं के अंतर्गत संपत्तियाँ

Table 4: Pension Fund-wise Assets under Management (in crore) as on 30th November 2024/
30 नवम्बर 2024 को पेंशन फंड के अनुसार एयूएम (करोड़ में)

PF	AUM (Rs. In Crore)			Growth (%)		% share
	30-Nov-23	31-Mar-24	29-Nov-24	YOY	Over March 24	
SBI	3,93,315.32	4,33,384.62	4,88,232.75	24.13	12.66	36.00
LIC	2,93,969.44	3,22,161.92	3,61,903.77	23.11	12.34	26.68
UTI	2,77,079.80	3,02,676.57	3,39,828.15	22.65	12.27	25.06
ICICI	21,795.99	28,419.13	40,510.09	85.86	42.55	2.99
Kotak	3,742.88	4,705.99	5,969.29	59.48	26.84	0.44
HDFC	62,461.37	76,954.78	1,04,181.88	66.79	35.38	7.68
Aditya Birla	1,145.15	1,508.72	2,870.34	150.65	90.25	0.21
Tata	258.00	834.71	3,934.82	1425.12	371.40	0.29
Max Life	478.82	576.37	1,432.44	199.16	148.53	0.11
Axis	903.06	2,197.45	6,340.41	602.10	188.53	0.47
DSP	-	115.66	1,033.08	NA	793.21	0.08
Total	**10,55,149.84**	**11,73,535.92**	**13,56,237.02**	**28.54**	**15.57**	**100.00**

Source: NPS Trust

Data incl. APY Fund scheme.

III. Scheme Wise AUM under NPS / एनपीएस के अंतर्गत योजनावार एयूएम

Table 5: Scheme-wise Assets under Management (in Crores) as of 30th November 2024/ 30 नवम्बर 2024 को योजनावार एयूएम संपत्तियाँ (करोड़ में)

Scheme		AUM (Rs. In Crore)			Growth (%)		% share
		30-Nov-23	31-Mar-24	29-Nov-24	YOY	Over Mar 24	
CG		2,83,907.63	3,03,144.53	3,26,460.25	14.99	7.69	24.07
SG		5,19,490.92	5,73,527.22	6,51,048.80	25.32	13.52	48.00
Corporate CG		69,213.86	77,174.94	89,729.15	29.64	16.27	6.62
TIER I	A	336.30	411.38	553.34	64.54	34.51	0.04
	E	60,599.66	76,999.16	1,02,493.45	69.13	33.11	7.56
	C	28,342.74	34,012.02	47,866.91	68.89	40.74	3.53
	G	50,702.59	60,750.99	82,680.02	63.07	36.10	6.10
NPS Lite		5,246.10	5,559.67	5,953.72	13.49	7.09	0.44
TIER II	E	2,164.77	2,573.34	3,179.22	46.86	23.54	0.23
	C	962.34	1,035.34	1,236.63	28.50	19.44	0.09
	G	1,619.12	1,797.97	2,189.06	35.20	21.75	0.16
	TTS	14.97	17.51	19.34	29.14	10.42	0.00
APY		31,976.48	35,647.67	41,882.15	30.98	17.49	3.09
Tier II Composite		-	-	1.83	-	-	-
Total Asset		**10,54,577.48**	**11,72,651.75**	**13,55,293.86**	**28.52**	**15.58**	**100.00**

Source: NPS Trust

Minor difference in AUM provided in Table 3 is due to difference in the methodology of calculation of asset by PFs and CRA.

IV. PFM-wise Return on NPS Schemes / पीएफएम के अनुसार एनपीएस योजनाओं पर लाभ

Table 6: Returns since inception (in %) as on 30th November 2024/ आरंभ से लाभ (% में) 30 नवम्बर 2024

Pension Funds→		SBI	LIC	UTI	ICICI	KOTAK	HDFC	Aditya Birla	TATA	Max Life	Axis	DSP
CG		9.67	9.52	9.48	-	-	-	-	-	-	-	-
SG		9.40	9.48	9.45	-	-	-	-	-	-	-	-
Corporate-CG		9.44	9.54	-	-	-	-	-	-	-	-	-
TIER I	A	9.09	7.57	6.81	7.41	7.24	8.68	6.63	8.64	-0.13	6.99	6.04
	E	11.68	13.90	13.48	13.45	12.85	15.68	14.49	20.50	17.20	18.80	24.65
	C	9.55	9.02	8.72	9.56	9.26	9.31	8.41	7.49	7.65	8.09	8.32
	G	9.09	9.82	8.35	8.56	8.54	9.11	8.10	8.86	9.23	9.09	10.94
TIER II	E	11.75	12.14	12.25	12.21	12.41	14.20	14.64	20.43	20.08	19.61	21.74
	C	9.15	8.55	8.73	9.39	8.62	8.66	7.91	7.85	8.21	7.26	9.61
	G	9.10	10.04	8.84	8.62	8.31	9.24	7.52	9.05	7.96	8.41	8.79
	TTS	6.48	8.40	7.06	7.80	8.45	7.15	8.76	10.16	7.82	6.42	5.43
NPS Swavalamban		9.80	9.82	9.77	-	-	-	-	-	-	-	-
APY		9.00	9.30	9.25	-	-	-	-	-	-	-	-
Tier II Composite		3.15	3.37	4.27	-	-	-	-	-	-	-	-

Source: NPS Trust

Atal Pension Yojana	nps national pension system #Zaruri Hai	nps Vatsalya