



# पेंशन बुलेटिन Pension Bulletin

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## Acknowledgment

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## प्रमाणन

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## Glossary

AA	Account Aggregators	G	Government Bonds and Related Instruments
AIF	Alternate Investment Fund	G-sec	Government securities
DPDP Act	Digital Personal Data Protection Act, 2023	GBP	Pound Sterling
APY	Atal Pension Yojana	GDP	Gross Domestic Product
ASP	Annuity Service Provider	GST	Goods and Service Tax
AUM	Assets Under Management	GSTN	Goods and Services Tax Network
CAGR	Compound Annual Growth Rate	IGB	Indian Government Bonds
CDC	Collective Defined Contribution	INR	Indian Rupee
CDD	Client Due Diligence	IIP	Index of Industrial Production
CFT	Combating the Financing of Terrorism	IRDAI	Insurance Regulatory and Development Authority of India
CIP	Customer Identification Procedures	IT Act	Information Technology Act, 2000
CKYCR	Central KYC Records Registry	JSP	Jointly Sponsored Pension Plans
CRA	Central Recordkeeping Agency	KYC	Know Your Customer
CPI	Consumer Price Index	LTCG	Long Term Capital Gain
DC	Defined Contribution	MEPP	Multi-Employer Pension Plans
Debt-VRR	Debt Voluntary Retention Route	NBFC	Non-Banking Financial Company
DIIs	Domestic Institutional Investor(s)	NDC	Notional Defined Contribution
E	Equity and Related Instruments	NPA	Normal Pension Age
EPF	Employees Provident Fund	NPS	National Pension System
EPFO	Employees Provident Fund Organization	OECD	Organization for Economic Cooperation and Development
ETF	Exchange-Traded Fund	PIPE	Private Investment in Public Equity
EU	European Union	PoP	Points of Presence
FAR	Fully Accessible Route	RBI	Reserve Bank of India
FBIL	Financial Benchmarks India Pvt. Ltd.	REER	Real Effective Exchange Rate
FII/FPI	Foreign Institutional Investors/Foreign Portfolio Investors	REIT	Real Estate Investment Trust
FIP	Financial Information Providers	STCG	Short Term Capital Gain
FIU	Financial Information Users	TFR	Total Fertility Rate
FSDC	Financial Stability and Development Council	USD	United States Dollar
		UNFPA	United Nations Population Fund
		VCF	Venture Capital Fund
		WPI	Wholesale Price Index

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## Section 1/खंड 1

### Economy/ अर्थव्यवस्था

# Indian Economy

*\*The data used in this section has been taken from CMIE's Economic Outlook and MOSPI.*

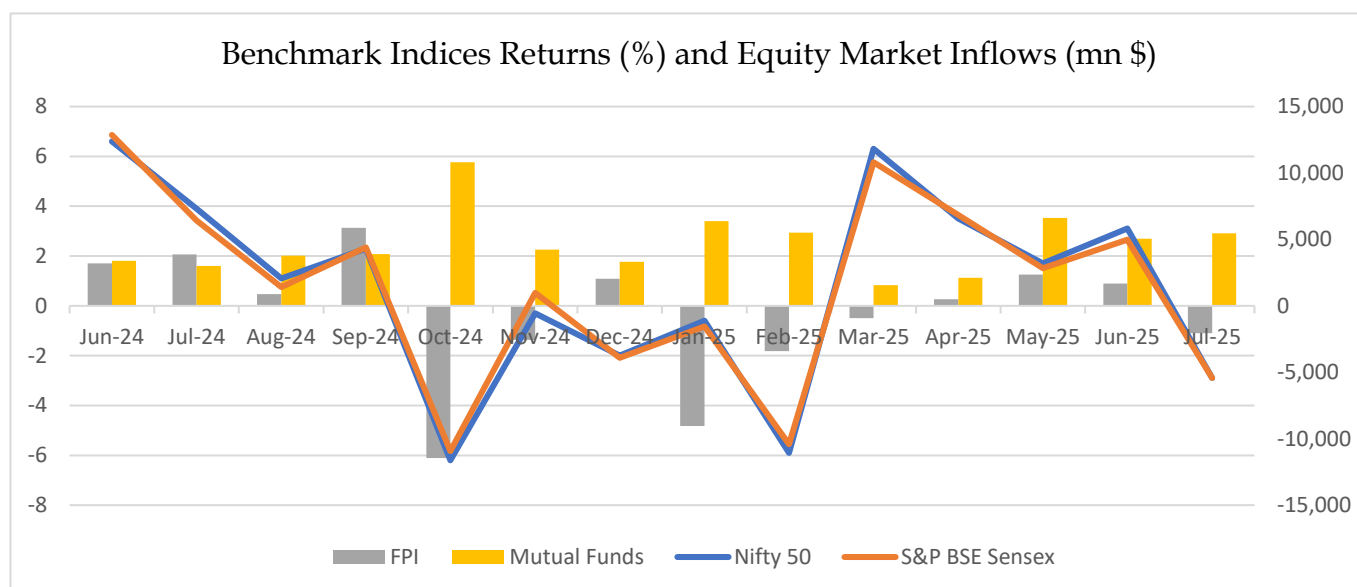
## Capital Market

The NSE Nifty 50 index declined to 24,768 points in July 2025, down from 25,517 points in June, marking a 3 per cent monthly loss. Similarly, the S&P BSE Sensex fell by 2.9 per cent during the same period. The downturn was primarily

surrounding trade negotiations between India and the US, adding to overall volatility.

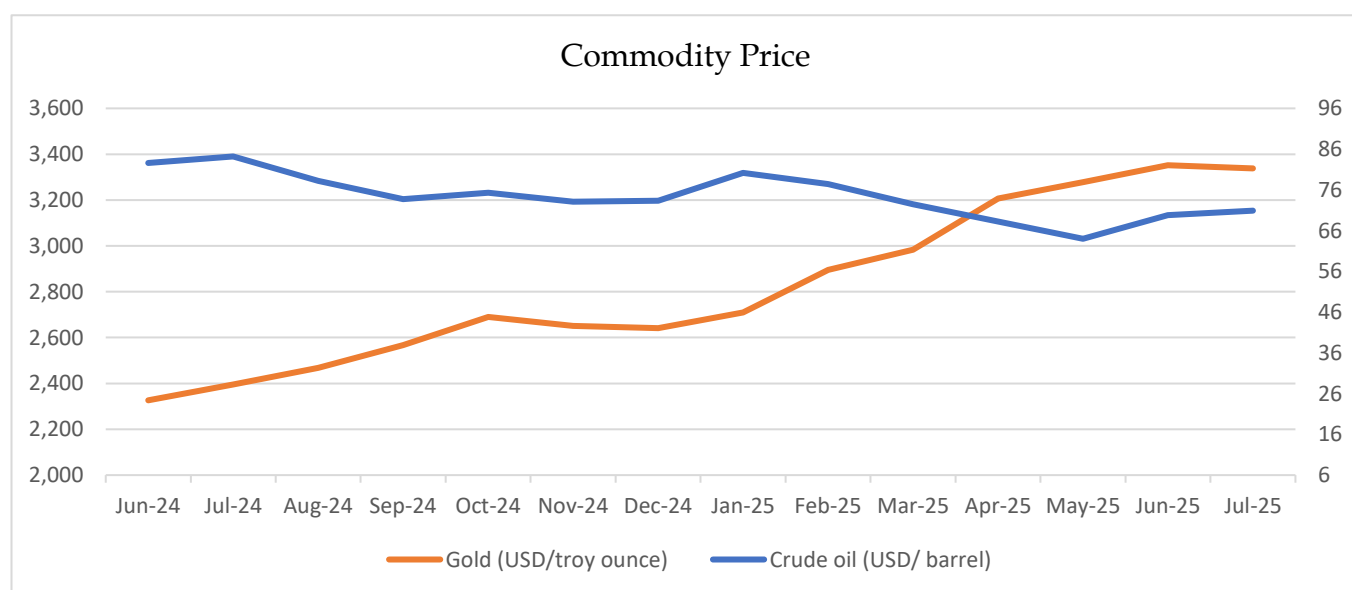
Valuations also moderated during the month. The price-to-earnings (P/E) ratio of the Nifty 50 eased to 21.9 times in July from 23 times in June, while the P/E ratio of the BSE Sensex declined to 23.3 times from 23.9 times over the same period.

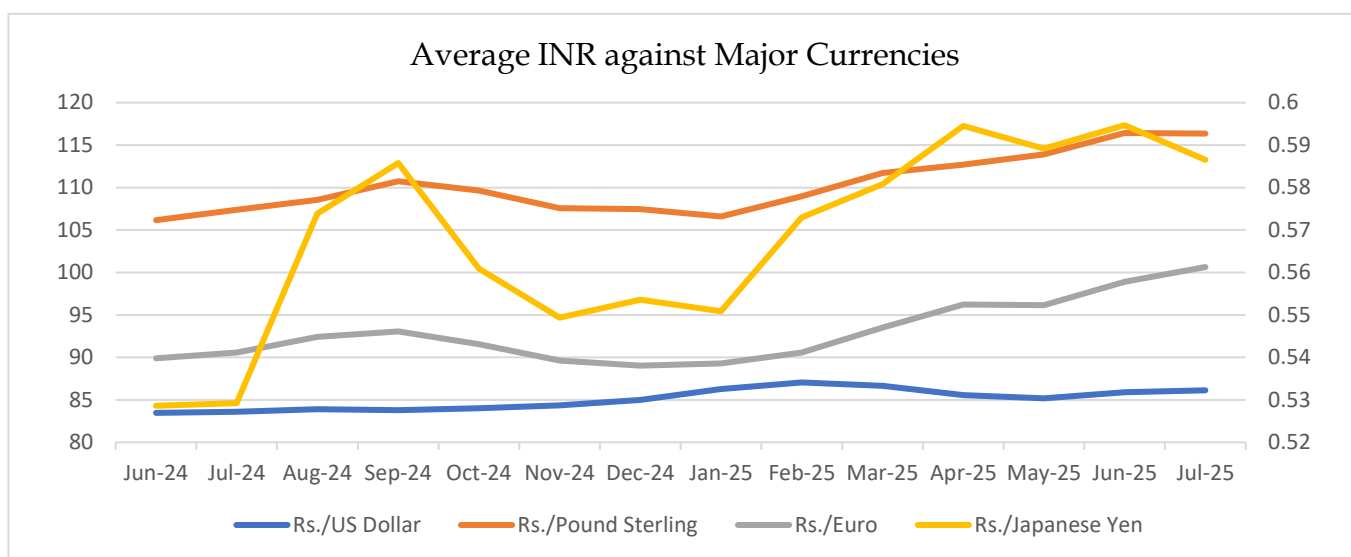
Foreign portfolio investors (FPIs) withdrew USD 2.1 billion from the equity market in July. However, they turned net buyers in the debt market, with inflows of USD 1.42 billion. Overall,



driven by weak corporate earnings and heavy selling by foreign investors. Market sentiment was further dampened by uncertainties

FPIs registered a net outflow of USD 0.63 billion from Indian capital markets in July, compared to USD 0.9 billion outflow in June. The sell-off was largely attributed to uncertainties around US





tariff measures, which heightened risk aversion among foreign investors. In contrast, Domestic Institutional Investors (DIIs) continued to support the equity market, though at a slower pace. DIIs invested USD 7.1 billion in July, lower than the USD 8.5 billion recorded in June.

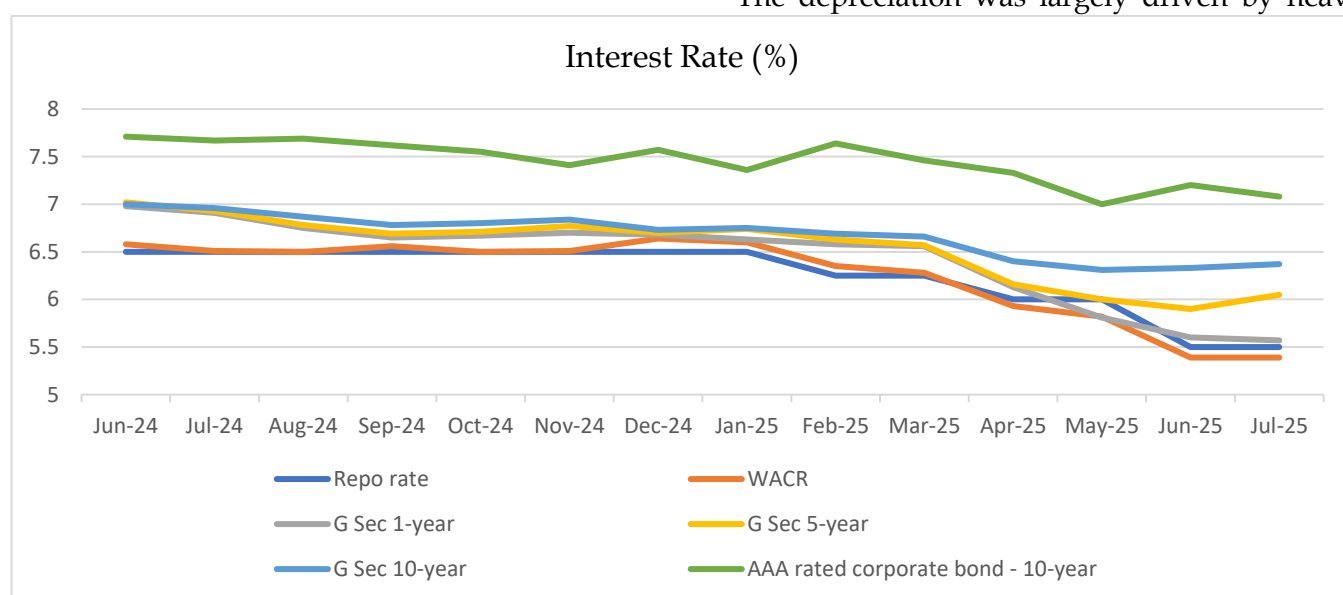
### Commodity Market

In July 2025, gold prices in the London Bullion market declined for the first time in the year, averaging USD 3,338.3 per troy ounce, down 0.4 per cent from USD 3,352 in June. This came after a 2.3 per cent increase in the previous month.

Meanwhile, the price of the Indian basket of crude oil rose for the second straight month. Crude oil prices increased by 1.7 per cent, from USD 69.8 per barrel in June to USD 70.9 per barrel in July. The uptick in prices was largely attributed to escalating geopolitical tensions between the US and Russia.

### Currency Market

In July 2025, the Indian Rupee (INR) depreciated against the US Dollar (USD) for the second straight month, weakening to Rs. 86.11 per USD from Rs. 85.9 in June – a decline of 0.24 per cent. The depreciation was largely driven by heavy



foreign investor sell-offs in Indian capital

markets, while the rise in crude oil prices added further downward pressure on the currency. At the same time, the US Dollar strengthened by 3.2 per cent during the month.

Among other major currencies, the INR weakened against the Euro but showed modest gains against the Pound Sterling (GBP) and Japanese Yen (JPY). The Rupee appreciated by 0.07 per cent against the GBP and by 1.4 per cent against the JPY in July. However, it depreciated against the Euro for the second consecutive month, falling by 1.7 per cent to Rs. 100.54 per Euro.

### Interest Rate

In July 2025, yields on Government securities (G-secs) of shorter maturities remained broadly stable. The yield on 1-year G-secs eased marginally by three basis points to 5.57 per cent, continuing its downward trend observed since December 2024. Yields on 3-year G-secs were unchanged at 5.83 per cent during the month. In contrast, the benchmark 10-year G-sec yield edged higher, rising by four basis points to 6.37 per cent in July.

### Consumer Price Index

Retail inflation fell sharply to 1.6 per cent in July 2025 from 2.1 per cent in June, marking the

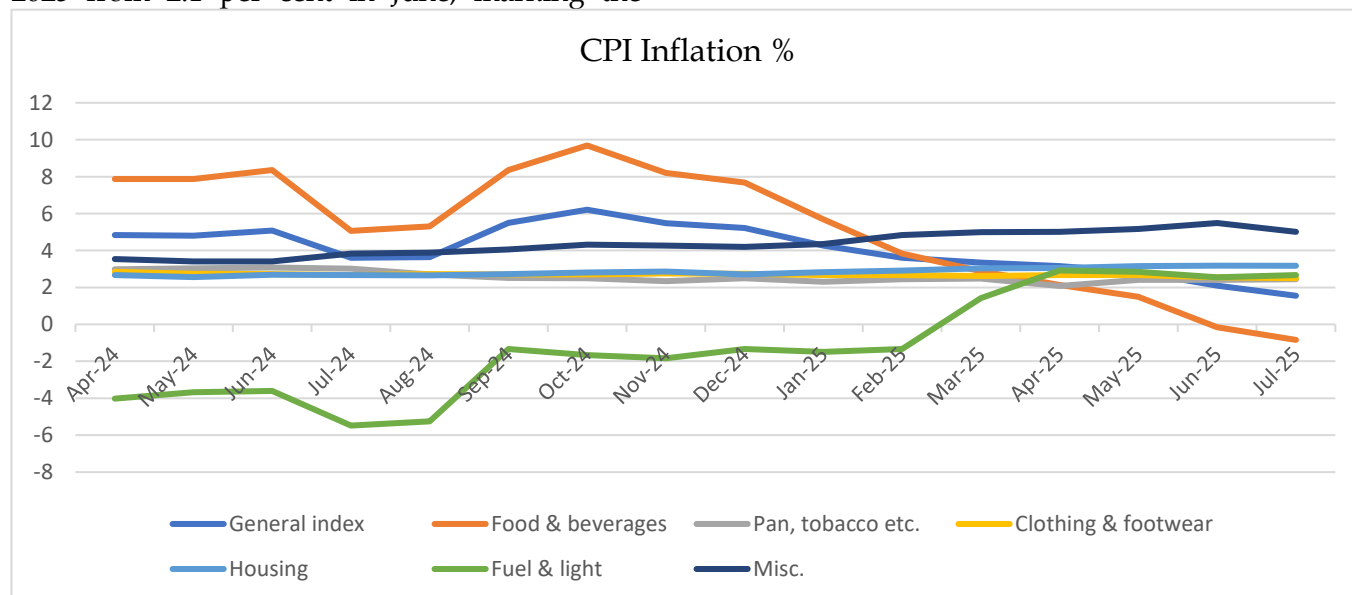
second-lowest level since June 2017. The decline was largely driven by a favourable base effect.

On a year-on-year basis, the Consumer Food Price Index (CFPI) registered a provisional contraction of 1.76 per cent in July 2025 compared with July 2024. The rural and urban CFPI inflation stood at -1.74 per cent and -1.90 per cent, respectively. Food inflation declined by 75 basis points in July 2025 over the previous month, touching its lowest level since January 2019.

The notable moderation in both headline inflation and food inflation during the month was primarily due to the favourable base effect and a decline in inflation across several categories, including pulses and products, transport and communication, vegetables, cereals, education, eggs, sugar and confectionery.

### Wholesale Price Index

Wholesale price deflation deepened to 0.6 per cent in July 2025 from 0.1 per cent in June, largely due to prices of primary food articles, basic metals, crude petroleum and mineral oils remaining below year-ago levels. Although the Wholesale Price Index (WPI) recorded its sharpest monthly increase in nine months between June and July, the elevated price levels



of July 2024, particularly in food, created a high base that pushed the index into deeper deflation.

The Primary Articles Index rose by 1.18 per cent in July 2025, reflecting price increases in crude petroleum and natural gas, non-food articles and food articles, while prices of minerals declined. The Fuel & Power Index also rose by 1.12 per cent during the month, driven by higher mineral oil prices, though coal (-0.44 per cent) and electricity (-0.36 per cent) recorded declines.

In contrast, the Manufactured Products Index slipped by 0.14 per cent in July 2025. Out of the 22 NIC two-digit industry groups, nine registered price increases, nine saw price declines and four showed no change. Notable groups with higher prices included other manufacturing, transport equipment, motor vehicles and trailers, non-metallic mineral products and furniture. Meanwhile, key groups that experienced price declines were basic metals, fabricated metal products (except machinery and equipment), food products, chemicals and paper products.

Wholesale Price Index				
	Y-o-Y % change		M-o-M % change	
Commodity	Jun-25	Jul-25	Jun-25	Jul-25
All commodities	-0.13	-0.58	0.07	0.39
Primary articles	-3.38	-4.95	0.54	1.18
Food articles	-3.75	-6.29	0.51	0.96
Non-food articles	2.29	3.4	1.51	2.11
Minerals	0.83	1.06	1.36	-1.08
Crude petroleum & natural gas	-12.31	-11.15	-1.44	2.56
Fuel & power	-2.65	-2.43	0.07	1.12
Coal	0.81	0.52	0.15	-0.44
Mineral oils	-5.78	-4.96	0.07	1.98
Electricity	4.39	3.31	-0.07	-0.36
Manufactured products	1.97	2.05	-0.14	-0.14

## Index of Industrial Production

The IIP growth rate for the month of July 2025 is 3.5 percent which was 1.5 percent in the month of June 2025. The growth rates of the three sectors, Mining, Manufacturing and Electricity for the month of July 2025 are (-) 7.2 percent, 5.4 percent and 0.6 percent respectively. Within the manufacturing sector, 14 out of 23 industry groups at NIC 2 digit-level have recorded a positive growth in July 2025 over July 2024. The top three positive contributors for the month of July 2025 are – Manufacture of basic metals (12.7%), Manufacture of electrical equipment (15.9%) and Manufacture of other nonmetallic mineral products (9.5%).

The corresponding growth rates of IIP as per Use-based classification in July 2025 over July 2024 are (-)1.7 percent in Primary goods, 5.0 percent in Capital goods, 5.8 percent in Intermediate goods, 11.9 percent in Infrastructure/ Construction Goods, 7.7 percent in Consumer durables and 0.5 percent in Consumer non-durables. Based on use-based classification, top three positive contributors to the growth of IIP for the month of July 2025 are Infrastructure/ construction goods, Intermediate goods and Consumer durables.

**Data Table**  
**Economic Indicators**

Indicators	Jul-24	Jun-25	Jul-25	YoY change
				(% / bps)
FPI Equity Investments (USD billion)	3.874	2.34	-2.052	-152.97
Rupees per dollar	83.59	85.19	86.11	-2.52
Rupees per Pound Sterling*	107.37	113.92	116.35	-8.98
Rupees per Euro*	90.59	96.15	100.64	-10.05
Rupees per Japanese Yen*	0.529	0.5892	0.5865	-0.0575
Crude Oil (USD/Barrel)*	84.2	64	70.9	-15.80
Gold (USD/troy ounce)*	2395.3	3278	3338.3	39.37
Weighted Average Call rate (%)	6.51	5.82	5.39	-112
Market repo rate (%)	6.5	6	5.5	-100
G sec 1-year (%)	6.91	5.81	5.57	-134
G sec 10-year (%)	6.96	6.31	6.37	-59
AAA rated corporate bond 10-year (%)	7.67	7	7.08	-59
CPI Inflation (%)	5.08	2.82	1.55	-353
WPI Inflation (%)	2.1	0.39	-0.58	-268
IIP# (%)	4.90	1.9	1.5	-340

# IIP data as on June 24, May 2025 and June 2025 respectively.

\* Average Monthly Exchange Rate

## Section 2/खंड 2

### Article/लेख

# Empirical Analysis of NPS E1 Scheme Performance: Comparative Insights from Market Boom and Bust Periods

-By Shubham Khandelwal, Asst. Manager, PFRDA. The views expressed in the article are personal and do not necessarily represent that of the Authority.

**Abstract-** This paper undertakes an empirical analysis of the performance of E1 schemes managed by various Pension Funds under the National Pension System (NPS) during two contrasting market cycles – a bull run (28-Sep-2023 to 27-Sep-2024) and a downturn (13-Oct-2021 to 13-Oct-2022). Using daily NAV data comprising over 240 observations per period, benchmarked against the Nifty 50 index, the study evaluates fund responsiveness to market conditions, consistency across cycles and risk-adjusted performance. This study applies a data-driven, evidence-based approach to identify outperformers, laggards and the relative resilience of funds under stress. The findings highlight the importance of risk-based fund selection for subscribers, emphasizing that evaluating performance across market cycles – and not just in high-return phases – is crucial for long-term retirement planning.

## 1. Introduction

Equity markets are inherently cyclical, alternating between **boom and bust phases** driven by macroeconomic conditions, global capital flows and domestic fundamentals. Pension Funds under NPS, which manage subscriber contributions in defined contribution (DC) structures, are particularly exposed to such

cycles given their equity allocations in the E1 schemes. Assessing performance in both rising and falling markets is therefore essential to understand fund resilience, risk-taking behaviour and implications for retirement wealth accumulation.

This paper selects two distinct one-year windows as representative cycles:

- **Boom Phase (28-Sep-2023 to 27-Sep-2024):** The Nifty 50 delivered a strong +34.09% return, reflecting a broad-based bull run supported by earnings growth, liquidity and positive macro momentum.
- **Bust Phase (13-Oct-2021 to 13-Oct-2022):** The Nifty 50 fell -6.32% amid global rate hikes, inflationary pressures and heightened volatility.

These periods were identified using rolling Nifty 50 returns from Jan 2021 to Apr 2025 to capture distinct bullish and bearish regimes. By studying fund performance across these windows, the paper aims to generate insights beyond headline numbers, focusing on consistency, volatility management and relative positioning of funds – aspects highly relevant for NPS subscribers.

## 2. Methodology

The study follows an evidence-based empirical approach using time-series data:

- a. Data Source: Daily Net Asset Values (NAVs) of E1 schemes of all Pension Funds, as published in the Handbook of NPS Statistics (PFRDA), from Jan 2021 to Apr 2025.
- b. Sample Size: Each one-year window comprises over 240 daily NAV observations, thereby meeting the minimum requirement for robust statistical inference under the *law of large numbers*.
- c. Benchmarking: The Nifty 50 index was used as the market benchmark, with its returns over the

same periods serving as reference points for fund performance evaluation.

d. Return Computation: One-year absolute returns were computed as:

$$Return(\%) = \frac{NAV_{End} - NAV_{Start}}{NAV_{Start}} \times 100$$

e. Risk Adjusted Return Computation: Risk Adjusted returns were computed by using Sharpe ratio:

Sharpe Ratio = (Portfolio return – Risk-free rate) / Volatility, where volatility is the standard deviation of returns over the period.

f. Comparative Framework:

- Funds were categorized as top performers, mid-range performers and relative underperformers within each cycle.
- Cross-cycle comparisons were undertaken to evaluate consistency vs volatility, with particular attention to funds that showed resilience in downturns while also capturing upside in booms.

g. Novelty of Approach: This analysis leverages daily NAV-based evidence and explicitly contrasts two market regimes, offering richer insights into fund strategies and their implications for subscribers.

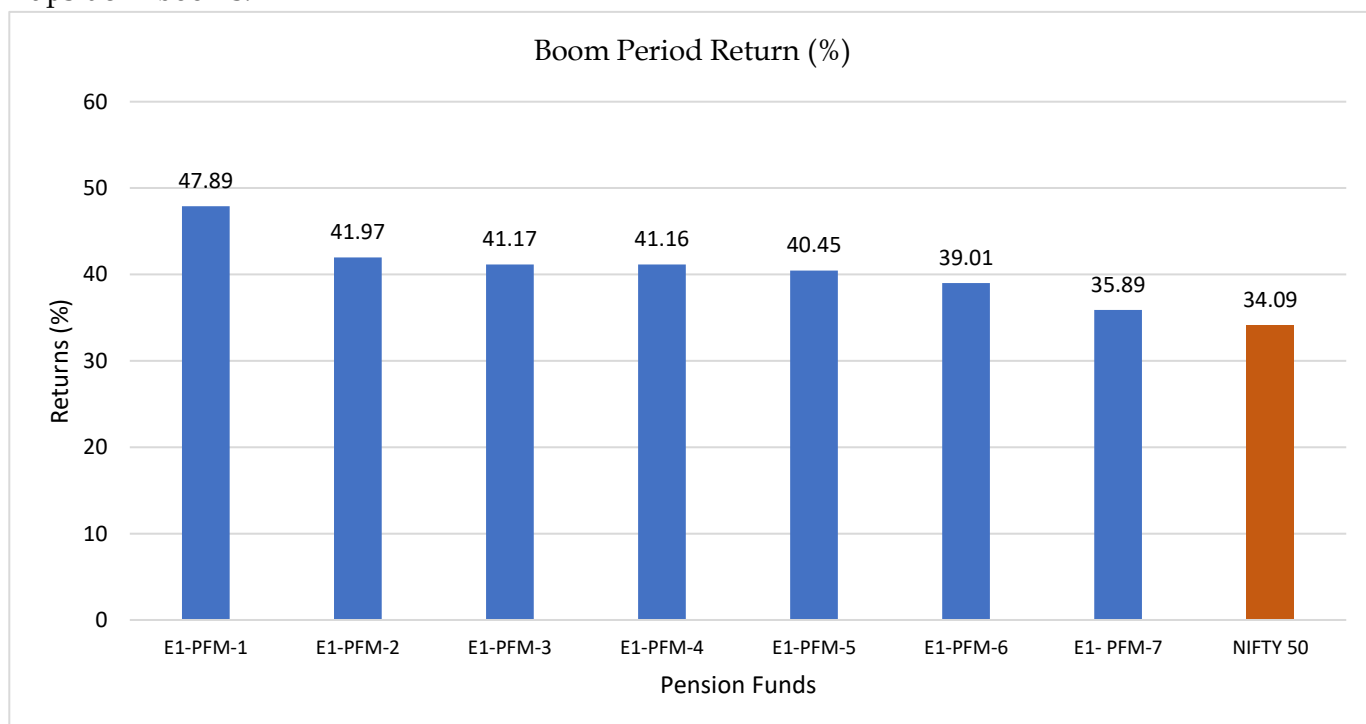
### 3. Results and Observations

#### 3.1 Boom Period Performance

During this 1-year bull market phase, the Nifty 50 index returned 34.09%, serving as a benchmark for overall market performance. All the Pension Funds in the NPS E1 category managed to outperform the Nifty, showcasing effective market capture strategies.

#### Top Performers

- E1-PFM-1 was the leader with a stellar 47.89% return, outperforming Nifty by nearly 14 percentage points.
- E1-PFM-2 (41.97%), E1-PFM-3 (41.17%) and E1-PFM-4 (41.16%) formed the next tier of high performers, all crossing the 41% mark.



### Mid-Range Performers

- E1-PFM-5 (40.45%) and E1-PFM-6 (39.01%) closely followed the top tier.

### Relative Underperformers

- E1-PFM-7 showed a marginal outperformance over the NIFTY 50 with a return of 35.89%.

### Key Insights

- All the 7 funds outperformed the Nifty 50, highlighting strong and broad-based fund management performance during the market boom.
- The performance spread from top (47.89%) to bottom (35.89%) indicates a ~12 percentage point gap, underlining the importance of fund selection within NPS.
- PFM-1 emerges as the standout performer.

### 3.2 Bust Period Performance

This period was marked by macroeconomic headwinds, global interest rate hikes, inflation concerns and market volatility – resulting in a **-6.32% return on the Nifty 50 index**. In contrast to this decline, all seven E1 schemes displayed

**lower downside**, reflecting effective risk containment.

### Best Capital Preservation

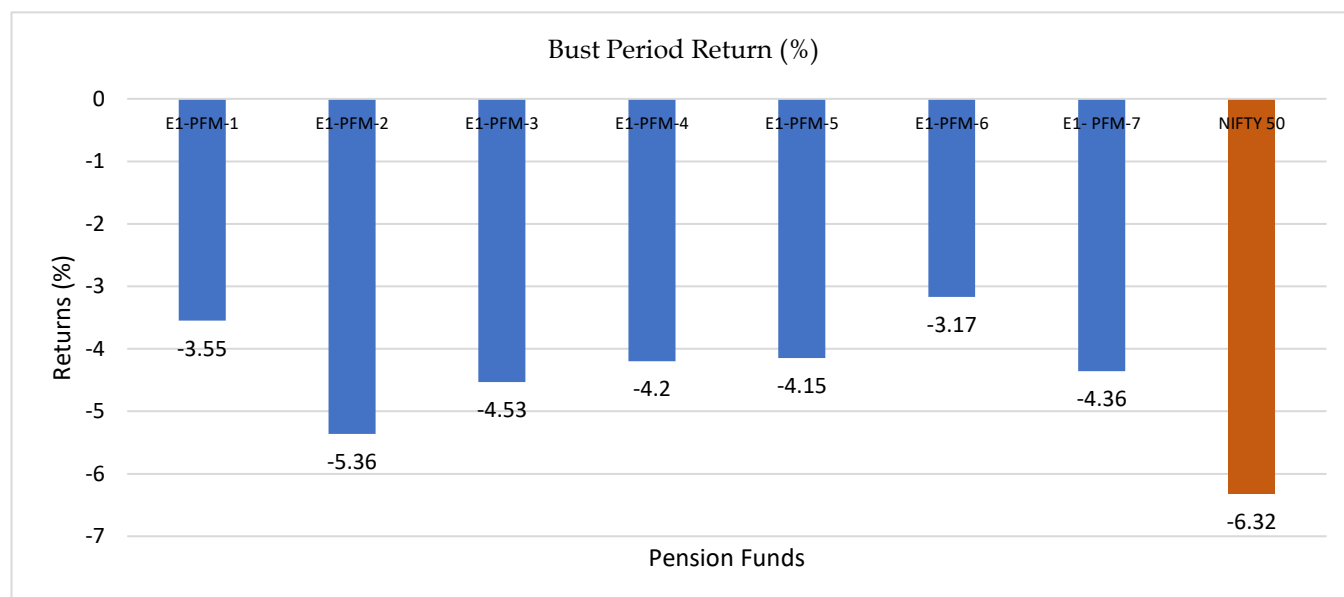
- E1-PFM-6 posted the lowest loss of just -3.17%, making it the most resilient performer among all E1 schemes.
- E1-PFM-1 (-3.55%) also managed notable downside protection.

### Moderate Performers

- E1-PFM-5 (-4.15%), E1-PFM-4 (-4.20%) and E1-PFM-3 (-4.53%) limited losses better than the market.
- Higher Drawdowns E1-PFM-7 (-4.36%) and E1-PFM-2 (-5.36%) had higher drawdowns than peers but still outperformed the Nifty 50, showing that even the worst-performing E1 fund in this list was less volatile than the market index.

### Key Insights

- All 7 funds outperformed the Nifty 50, demonstrating effective downside management – a key goal in pension investing.



- The return gap between best and worst fund was ~2.19%, smaller than in the boom phase, indicating convergence in risk control strategies.
- PFM-6 stood out for minimizing loss and could be considered more conservative or defensive in nature.

### Contrasting Behaviour with Boom Phase

Interestingly:

- E1-PFM-1, the best performer during the boom, also ranked among the top 2 in the bust, suggesting broad portfolio strength.
- E1-PFM-2, while strong in boom, ranked lowest in the bust, suggesting higher market sensitivity or a more growth-heavy tilt.

## 4. Analysis and Discussion

The comparative performance of E1 schemes across boom-and-bust periods provides valuable insights into the investment strategies and risk profiles of different Pension Funds under NPS:

### 4.1 Market Capture vs. Downside Protection

A key observation from the boom period is the strong ability of all the Pension Funds to capture upside momentum, with all the seven E1 schemes outperforming the Nifty 50 benchmark. E1-PFM-1 stood out with an exceptional return of 47.89%, suggesting aggressive equity positioning or superior stock selection. This level of outperformance during a bullish phase reflects proactive fund management attuned to market trends.

Conversely, the bust period tested the resilience of portfolios. Though returns were negative for all funds, each outperformed the Nifty 50's - 6.32% decline. This indicates effective downside management, possibly through defensive sector allocation or conservative rebalancing strategies. E1-PFM-6 and E1-PFM-1 emerged as the most capital-preserving schemes, with returns of -3.17% and -3.55% respectively.

### 4.2 Consistency vs. Volatility

The performance of E1-PFM-1 across both periods—leading in the boom and ranking among the top 2 in the bust—points toward a well-balanced portfolio that adapts across cycles. This highlights the fund's ability to combine return maximization with risk minimization, a highly desirable trait for long-term pension investing.

To illustrate this dual strength clearly, the table below compares E1-PFM-1's performance in both phases:

Period	Nifty 50 Return	E1-PFM-1 Return	Relative Rank Among Peers
Boom (2023-24)	+34.09%	+47.89%	1st (Top Performer)
Bust (2021-22)	-6.32%	-3.55%	2nd (Most Resilient)

This dual showing demonstrates that E1-PFM-1 is not only opportunistic during bull markets but also resilient during downturns — a rare combination in equity fund management. In contrast, E1-PFM-2, which ranked second in the boom period (41.97%), fell to the lowest rank in the bust (-5.36%). This suggests a growth-biased strategy that thrives in bull runs but is more exposed to downside risk in adverse markets. Such behaviour may be appropriate for subscribers with higher risk tolerance or longer investment horizons.

### 4.3 Implications for Fund Selection

The analysis underscores the critical role of fund selection within the NPS framework. While long-term investing emphasizes staying invested, the risk-return profile of each Pension Fund varies significantly. A 12-percentage point spread in returns during the boom and a 2.2 percentage point spread during the bust reflect this divergence. Hence, subscribers should not only

look at past performance in isolation but also consider how a fund behaves under different market regimes.

## 5. Conclusion

This study highlights the divergent performance of NPS Pension Funds during two contrasting market cycles – a boom (2023–24) and a bust (2021–22). The findings reveal that: All E1 schemes effectively captured market gains during the bullish phase, with notable outperformance by E1-PFM-1 and E1-PFM-2.

- During the downturn, all funds exhibited strong downside protection relative to the Nifty 50, with E1-PFM-6 and E1-PFM-1 emerging as the most resilient.
- E1-PFM-1 demonstrated exceptional consistency across both periods, suggesting robustness in strategy and execution.
- Fund behaviour across cycles differs, indicating that fund selection should be based not just on absolute returns but on risk-adjusted performance and consistency.

**Subscriber takeaway:** *Subscribers should assess fund performance across cycles, not just high-return periods, to ensure alignment with their own risk appetite and long-term retirement goals*

## 5. Boom Period Analysis based on Risk Adjusted Returns

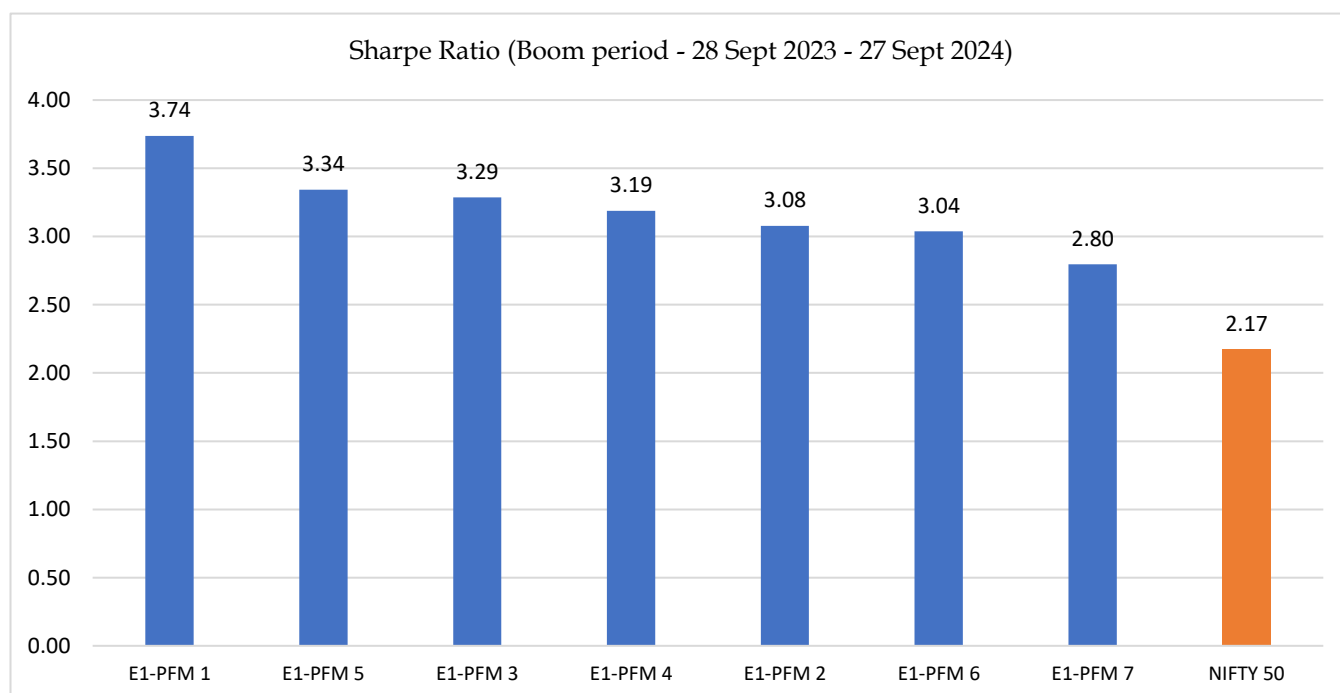
Share ratio has been used to compare the risk adjusted return across the pension funds and with the NIFTY 50.

Sharpe Ratio =  $\frac{\text{Portfolio return} - \text{Risk-free rate}}{\text{Volatility}}$ , where volatility is the standard deviation of returns over the period.

- Interprets how much excess return is earned per unit of total risk.
- Negative Sharpe means the asset underperformed the risk-free rate for the risk taken.

## Boom period analysis with the use of Sharpe Ratio:

- **Cohort quality:** All seven PFMs delivered Sharpe above the index; six of



seven are  $\geq 3$ , showcasing *excellent* risk-adjusted efficiency.

- **Group average vs benchmark:** Mean PFM Sharpe  $\approx 3.21$  vs 2.17 for NIFTY – about +1.04 higher, or  $\sim 48\%$  better risk-adjusted performance.
- **Dispersion:** Top-bottom spread  $\approx 0.94$  ( $3.74 \rightarrow 2.80$ ); median = 3.19 (E1-PFM-4). This shows that Pension Fund choice meaningfully affects efficiency even when markets rise.

## 6. Conclusion

This study highlights the performance of NPS Pension Funds during two contrasting market cycles – a boom (2023–24) and a bust (2021–22). The findings reveal that:

- All E1 schemes effectively captured market gains during the bullish phase, with notable outperformance by E1-PFM-1 and E1-PFM-2.
- During the downturn, all funds exhibited strong downside protection relative to the Nifty 50, with E1-PFM-6 and E1-PFM-1 emerging as the most resilient.
- E1-PFM-1 demonstrated exceptional consistency across both periods, suggesting robustness in strategy and execution.
- Fund behaviour across cycles differs, indicating that fund selection should be based not just on absolute returns but on risk-adjusted performance and consistency.
- All E1 schemes posted a Sharpe ratio above the NIFTY 50, showing superior risk-adjusted efficiency and that Sharpe rankings can differ from raw return rankings.

Subscriber takeaway: *Subscribers should assess fund performance (combining absolute performance with risk-adjusted efficiency) across cycles, not just high-return periods, to ensure alignment with their own risk appetite and long-term retirement goals*

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## Section 3/खंड 3

# International Section/ अंतर्राष्ट्रीय खंड

# Cash Balance Pension Plans: Structure, Operation and Comparisons to Traditional DB and DC Plans

Cash Balance Pension Plans represent a hybrid approach in the landscape of retirement benefits, combining elements from both Defined Benefit (DB) and Defined Contribution (DC) pension models. They seek to balance employer and employee needs for predictability, flexibility, portability and security.

## 1. Cash Balance Pension Plans: Features and Operation

A Cash Balance Pension Plan is technically a **Defined Benefit plan**, but expresses benefits as a notional account balance, similar in appearance to a DC plan. Employers credit participants annually with a “pay credit” (a percentage of salary or flat dollar amount) and an “interest credit” (a guaranteed rate or index-linked return).

### Key Features

- **Account-Based Structure:** Each employee has a hypothetical account tracked by the plan, growing annually through pay and interest credits.
- **Pay Credits:** Employer contributes a percentage of compensation (e.g., 5% of salary) each year.

- **Interest Credits:** Accounts earn a yearly interest credit, which may be fixed (e.g., 5%) or based on benchmarks (e.g., 10-year Treasury rate).
- **Guaranteed Benefit:** The plan guarantees a specified account balance at retirement, regardless of actual investment performance of plan assets.
- **Distribution Options:** At retirement, the balance can be converted to a lifetime annuity or paid as a lump sum, which can often be rolled to an IRA or other retirement vehicle.

### Example Calculation

For an employee earning ₹10,00,000:

- Pay Credit: 5% = ₹50,000/year
- Interest Credit: 4% annual on accumulated account balance

After 20 years, the cash balance grows due to both credits and is available as a lump sum or annuity at retirement.

### Portability and Vesting

Cash Balance plans typically vest over a few years. Once vested, employees leaving the employer can take their accrued balance with them, rolling it over into other retirement accounts, enhancing portability (a feature lacking in traditional DB plans).

## 2. Differences: Cash Balance vs. DB vs. DC Plans

The difference between DB, DC and Cash Balance plan is summarised in Table below-

Feature	Cash Balance Plan	Defined Benefit (DB) Plan	Defined Contribution (DC) Plan
Primary Benefit	A stated, hypothetical account balance	A formula-based, monthly income stream at retirement	A balance based on contributions and investment performance
Who Bears Risk	The employer bears all investment risk	The employer bears all investment risk	The employee bears all investment risk

Typical Contributions	Employer contributions based on a formula (e.g., % of pay)	Employer contributions determined by actuarial calculations	Employee elective deferrals and possible employer match
Contribution Limits	Actuarially determined, age-based, can be significantly higher than a 401(k)	Actuarially determined to meet a target benefit	Statutory annual limits set by the IRS
Benefit Calculation	Annual "pay credits" and "interest credits" to a hypothetical account	Formula based on salary, years of service and other factors	Based on contributions, investment gains and losses
Portability	High; lump sum payout can be rolled over to an IRA or new employer plan	Low; often only provides a lifetime annuity and early leavers may receive a small benefit	High; employee-owned account is easily portable via rollover to an IRA
Federal Guarantee	Yes, insured by the Pension Benefit Guaranty Corporation (PBGC)	Yes, insured by the Pension Benefit Guaranty Corporation (PBGC)	No, not insured by the PBGC
Administrative Complexity	High; requires annual actuarial certification and complex administration	Very high; requires complex actuarial calculations and ongoing management	Low to moderate; standard administrative and reporting requirements

**Table- Comparison of DB, DC and Cash Balance Pension Plans**

### 3. Advantages and Disadvantages of Cash Balance Plans

#### Advantages

- **Predictable Account Growth:** Employees see annual growth irrespective of real market returns, aiding retirement planning and psychological comfort.
- **Portability:** Balances can be rolled over into new employer plans or IRAs, supporting labour mobility.
- **Flexibility:** Distribution options offer choice upon retirement or exit.
- **Tax Efficiency:** Employer contributions are tax-deductible; employees defer tax until withdrawal.
- **Higher Contribution Limits:** Older employees can accumulate and tax-defer much higher amounts than DC plans allow.
- **Appeal to Employees:** Especially attractive to mid-career and senior professionals seeking rapid retirement savings after years with low savings rates.

#### Disadvantages

- **Maintenance Complexity:** Requires regular actuarial valuation; higher administrative costs.
- **Employer Funding Risk:** Employer bears investment and longevity risk, must make up deficits if investments underperform or employees live longer.
- **Lower Upside Potential:** Interest credits are usually lower than long-term equity returns, so employees may miss out on market booms.
- **No Employee Contributions:** Employees cannot boost savings during high-earning years unless plan includes elective deferrals.
- **Regulatory Complexity:** Detailed plan documentation required, subject to legal changes.

#### 4. Who Typically Uses Cash Balance Plans?

- **Professional and Small Businesses:** Often adopted by companies with highly paid

professionals (doctors, consultants) who want to accelerate retirement savings and minimize tax liabilities.

- **Large Employers Shifting from DB:** Some large companies wanting to reduce long-term liabilities and make plans more understandable for employees.

They accommodate both employer preferences for plan funding control and employee wishes for transparency and portability.

## 5. Trends and Innovations

Cash Balance Plans have increased in popularity as traditional DB plans decline and employers seek ways to balance their own risk exposure with competitive retirement benefits. Variants often permit for more flexible pay and interest credit formulas, sometimes even allowing employee-directed investment choices for the interest credit rate.

Their design addresses major failings of DB (lack of portability, opaque accrual) and DC (volatile outcomes, inadequate contribution limits for high earn.

## 6. Conclusion

The Cash Balance Pension Plan is an innovative hybrid that aims to address gaps in both traditional DB and DC schemes. It preserves the employer's ability to manage plan funding and guarantees benefits, while delivering transparency, portability and predictable growth to employees. Compared to DB plans, cash balance plans lower the perceived complexity and increase portability. Compared to DC plans, they reduce individual risk exposure, raise contribution limits for older employees and provide guaranteed growth. However, the employer retains funding and investment risks and maintenance is more complex.

Overall, Cash Balance Pension Plans are well-suited for organizations and employees looking for clarity, higher funded retirement and portability without the volatility and unpredictability of DC retirement accounts and less rigidity and opacity than traditional DB

pensions. They play a growing role in modern retirement planning strategies globally, especially for those seeking the best blend of security, flexibility and tax efficiency.

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## Section 4/ खंड 4

Did You Know/ क्या आप जानते हैं?

# Financial Stability Report – June 2025

## 1. What is the Financial Stability Report (FSR)?

The Financial Stability Report (FSR), published biannually by the Reserve Bank of India (RBI), reviews the overall health and stability of the Indian financial system. It covers the performance of banks, NBFCs, financial markets, corporate sector and household savings, while also assessing risks from global and domestic developments.

## 2. What is the state of India's equity and debt markets?

The Indian equity market, which saw deep corrections between October 2024 and February 2025, owing to tepid earnings growth, FPI outflows and global sell-off, has largely recovered since March 2025.

Nonetheless, as on June 10, 2025, most of the benchmark indices traded 3 to 8 per cent lower compared to their 52-week highs with the overall total market capitalisation down by 7 per cent from its peak in 2024. Consequently, Indian equity market remained an underperformer compared to other major markets. Notably, despite the sharp decline in stocks, volatility remained relatively subdued until the recent spike triggered by geopolitical tensions and tariff-induced uncertainty. Furthermore, India's weightage in the MSCI Emerging Markets (EM) Index has remained steady at 18.5 per cent as at end-March 2025.

Amidst a global rebalancing of funds from EMEs' equities to fixed income and developed markets, Indian equity market, like other EMEs, saw consistent FPI outflows since October 2024. Consequently, the foreign portfolio investors' share in Indian equities has touched a decadal low, with domestic institutional investors' (DIIs) share in overall ownership in all NSE-listed companies surpassing that of foreign portfolio investors. During periods of heightened volatility, risk-off sentiments and sustained

selling of Indian equities by the foreign portfolio investors, DIIs and individual investors (domestic households) have been providing strong support, thereby preserving market stability. Equity valuations have moderated, though they remain at the high end of historical range, especially for the midcap and small-cap stocks. Consequently, the gap between estimated earnings growth and required earnings growth for returning to historical valuation multiple has also reduced. Overall, as at end-March 2025, about two thirds of stocks were trading with their P/E ratios higher than their respective benchmark P/E ratios. The individual participation in Indian equities has increased in the last decade and the ownership pattern shows that their investments are diversified. However, their ownership share in microcap stocks far outweigh those in large, mid and small-cap stocks. Microcap stocks have a higher beta compared to other stocks and exhibit greater sensitivity to change in economic and financial conditions. Thus, market corrections could expose retail investors to greater volatility and amplify losses.

The debt market showed relative stability. Short-term government securities yields softened, with the 1-year G-sec yield declining to 5.57 per cent, continuing its downward trend since late 2024. Medium-term G-sec yields remained steady, while the 10-year benchmark yield rose modestly, reflecting inflationary and global risks. Corporate bonds remained resilient, supported by steady demand. FPIs, though net sellers in equities, turned net buyers in the debt segment, signalling a shift toward safer instruments amid global uncertainty.

## 3. How is the Indian Rupee performing?

The foreign exchange market witnessed bouts of volatility even as the USD/INR exchange rate recorded sharp two-way movements during January-May 2025. The pace of rupee depreciation accelerated in late 2024 and continued till February 2025. In March and April, however, it appreciated supported by the broad-based weakness of the USD and relatively better economic outlook for India vis-à-vis other

economies. Different indicators, such as the real effective exchange rate (REER), the exchange market pressure (EMP) index, implied volatility derived from option prices and offshore-onshore spreads, continue to underscore the stability of the exchange rate

#### 4. What risks does the FSR highlights?

##### Global and External Risks

Since the December 2024 Financial Stability Report (FSR), near-term global financial stability risks have risen significantly, driven by heightened geopolitical tensions and economic and trade policy uncertainties. Shifting US trade policies and lack of clarity surrounding its economic policies triggered a spike in volatility and sharp price declines across a range of markets.

Consequently, financial conditions have tightened and growth prospects have weakened. Though markets have recovered from the early-April lows due to sharp tariff hikes, considerable uncertainty persists about the evolution of trade patterns and economic outlook. Moreover, despite the recent market turmoil, asset valuations in several markets stay high relative to fundamentals and risks remain concentrated with exposures to a few large technology firms. Overall, global financial stability risks remain elevated, as unprecedented trade and policy uncertainties and unpredictability could potentially interact with the existing vulnerabilities - rising public debt, high leverage in the non-banking financial intermediaries (NBFIs) sector and stretched asset valuations - to amplify adverse shocks.

Amidst elevated global economic and trade policy uncertainties, the Indian economy continues to display resilience, underpinned by strong macroeconomic fundamentals and robust financial system. The economy is growing at a healthy pace, with the financial system meeting the financing needs of all sectors of the real economy. At the same time, domestic financial stability risks remain contained, as reflected in improving asset quality, strong capital and liquidity buffers and robust profitability of banks

and non-bank lenders. The volatility in domestic financial markets also remained relatively low.

The domestic financial system, however, could be impacted by external spillovers. Growing trade disruptions and intensifying geopolitical hostilities could negatively impact domestic growth outlook and reduce the demand for bank credit, which has decelerated sharply. Moreover, it could also lead to increased risk aversion among investors and further corrections in domestic equity markets, which despite the recent correction, remain at the high end of their historical range.

Overall, while the broader financial system remains resilient, there is some build-up of stress primarily in financial markets on account of global spillovers. This is reflected in the marginal rise in the financial system stress indicator (FSSI), an indicator of the stress level in the Indian financial system, compared to its position in H1:2024-25.

In the debt market, corporate bond net outstanding rose to ₹53.6 lakh crore as at end-March 2025 with the highest ever fresh issuance of ₹9.9 lakh crore during 2024-25. Secondary market, however, remained lacklustre with average monthly turnover at 3.8 per cent of outstanding value. Listed private placements overwhelmingly remained the preferred route for resource mobilisation, while public issuances formed only a small fraction of total issuances. In 2024-25, AAA-rated firms dominated issuances with firms rated below AA constituting 16.0 per cent of the total issuances. Corporate bond spreads widened marginally due to tighter liquidity conditions, trade related uncertainty and softer growth prospects. Median spreads across rating categories were higher by 20-30 bps, even though yields softened. From a financial stability perspective, a deep and liquid corporate debt market is important as it provides an alternative to bank finance, widens investor base and improves overall resilience of the financial system.

#### 5. How is the performance of Pension Sector?

The National Pension System (NPS) and Atal Pension Yojana (APY) have steadily grown, with increases in both subscriber count and assets under management. As of March 31, 2025, in terms of number of subscribers, NPS and Atal Pension Yojana (APY) have shown a growth of 14.2 per cent since March 2024, whereas the asset under management (AUM) has recorded a growth of 23.1 per cent in the same period. The combined subscriber base under NPS and APY has reached 8.4 crore in March 2025, with an AUM of ₹14.4 lakh crore, which is primarily invested in fixed income instruments.

The Unified Pension Scheme (UPS) as an option under NPS, was issued by the Department of Financial Services vide Notification dated January 24, 2025. In terms of Para 15 of the said notification, March 2025 has issued PFRDA (Operationalisation of the Unified Pension Scheme under NPS) Regulations, 2025 and

Central Recordkeeping Agencies has rolled out the processes for subscribers who are desirous of exercising choice of UPS.

## Section 5/ खंड 5

NPS/ APY Statistics/ एनपीएस/ एपीवाई आँकड़े

## I. Sector Wise Growth / क्षेत्रवार वृद्धि

**T Table 1: NPS & APY growth in Subscribers base as on 31st July 2025**  
**३१ जुलाई २०२५ 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 (%)
		31-Jul-24	31-Mar-25	31-Jul-25		
i	CG	2,651,620	2,726,039	2,799,799	5.6	3.2
ii	SG	6,711,370	7,132,145	7,336,218	9.3	8.4
	<b>Sub Total</b>	9,362,990	9,858,184	10,136,017	8.3	11.6
iii	Corporate	2,070,544	2,275,356	2,439,965	17.8	2.8
iv	All Citizen	3,710,036	4,265,479	4,409,422	18.9	5.0
v	Vatsalya	-	107,523	129,865	-	0.1
	<b>Sub Total</b>	5,780,580	6,648,358	6,979,252	20.7	8.0
vi	NPS Lite	3,339,654	3,350,389	3,349,112	0.3	3.8
vii	APY	57,849,186	64,134,198	67,252,212	16.3	76.7
viii	<b>Grand Total</b>	<b>76,332,410</b>	<b>83,991,129</b>	<b>87,716,593</b>	<b>14.9</b>	<b>100.0</b>

Source: CRAs

**Table 2: NPS & APY growth in Contribution as on 31st July 2025**  
**३१ जुलाई २०२५ 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 (%)
(i)	CG	233,161.22	261,347.65	276,772.32	18.7	25.0
(ii)	SG	444,905.77	505,769.09	539,782.19	21.3	48.7
	<b>Sub Total</b>	<b>678,066.99</b>	<b>767,116.75</b>	<b>816,554.50</b>	<b>20.4</b>	<b>73.6</b>
(iii)	Corporate	127,061.16	152,189.94	166,853.24	31.3	15.0
(iv)	All Citizen	56,510.21	66,184.19	69,557.69	23.1	6.3
(v)	Vatsalya	-	94.11	154.87	-	0.0
(vi)	Tier-II	8,679.82	10,088.45	10,876.29	25.3	1.0
(vii)	TTS	17.14	19.26	19.69	14.9	0.0
	<b>Sub Total</b>	<b>192,268.33</b>	<b>228,575.96</b>	<b>247,461.79</b>	<b>28.7</b>	<b>22.3</b>
(viii)	NPS Lite	3,423.37	3,550.38	3,612.77	5.5	0.3
(ix)	APY*	33,464.95	38,569.70	41,237.12	23.2	3.7
	<b>Grand Total</b>	<b>907,223.64</b>	<b>1,037,812.79</b>	<b>1,108,866.19</b>	<b>22.2</b>	<b>100.0</b>

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

**Table 3: NPS & APY growth in AUM as 31st July 2025**  
**३१ जुलाई २०२५ 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 (%)
		31-Jul-24	31-Mar-25	31-Jul-25		
(i)	CG	347,268.66	18.01	26.38	18.01	26.38
(ii)	SG	632,607.04	21.83	49.61	21.83	49.61
	<b>Sub Total</b>	<b>979,875.70</b>	<b>20.47</b>	<b>75.98</b>	<b>20.47</b>	<b>75.98</b>
(iii)	Corporate	189,080.79	27.82	15.56	27.82	15.56
(iv)	All Citizen	60,779.97	14.14	4.47	14.14	4.47
(v)	Vatsalya	-	-	0.01	-	0.01
(vi)	Tier-II	6,207.75	21.42	0.49	21.42	0.49
(vii)	TTS	18.60	7.48	0.00	7.48	0.00
	<b>Sub Total</b>	<b>256,087.11</b>	<b>24.48</b>	<b>20.52</b>	<b>24.48</b>	<b>20.52</b>
(viii)	NPS Lite	5,821.08	7.80	0.40	7.80	0.40
(ix)	APY*	39,133.31	22.96	3.10	22.96	3.10
	<b>Grand Total</b>	<b>1,280,917.19</b>	<b>21.29</b>	<b>100.00</b>	<b>21.29</b>	<b>100.00</b>

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

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

Source: NPS Trust

**Table 4: Pension Fund-wise Assets under Management (in crore) as on 31st July 2025**  
**३१ जुलाई २०२५ को पेंशन फंड के अनुसार एयूएम (करोड़ में)**

PF	AUM (Rs. In Crore)			Growth (%)		% share
	31-Jul-24	31-Mar-25	31-Jul-24	31-Mar-25	31-Jul-24	
<b>SBI</b>	467,247	514,752	546,230	16.90	6.12	35.13
<b>LIC</b>	345,560	382,441	406,055	17.51	6.17	26.11
<b>UTI</b>	323,738	359,180	384,195	18.67	6.96	24.71
<b>ICICI</b>	35,643	45,455	50,842	42.64	11.85	3.27
<b>Kotak</b>	5,466	6,378	7,286	33.30	14.23	0.47
<b>HDFC</b>	93,791	115,627	134,229	43.12	16.09	8.63
<b>Aditya Birla</b>	2,027	4,025	5,019	147.65	24.68	0.32
<b>Tata</b>	2,560	4,385	4,424	72.83	0.90	0.28
<b>Max Life</b>	982	1,607	-	-	-	-
<b>Axis</b>	4,324	8,854	11,419	164.08	28.96	0.73
<b>DSP</b>	506	2,049	5,252	938.79	156.37	0.34
<b>Total</b>	<b>1,281,843</b>	<b>1,444,753</b>	<b>1,554,950</b>	<b>21.31</b>	<b>7.63</b>	<b>100.00</b>

Source: CRAs

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

Table 5: Scheme-wise Assets under Management (in Crores) as of 31st July 2025  
३१ जुलाई २०२५ को योजनावार एयूएम संपत्तियाँ (करोड़ में)

Scheme		AUM (Rs. In Crore)			Growth (%)		% share
		31-Jul-24	31-Mar-25	31-Jul-25	YOY	Over March 25	
CG		318,494	338,663	350,188	9.95	3.40	22.52
SG		617,439	690,249	738,231	19.56	6.95	47.48
Corporate CG		84,768	96,143	96,266	13.56	0.13	6.19
TIER I	A	478	635	760	59.08	19.74	0.05
	E	96,700	110,012	131,095	35.57	19.16	8.43
	C	40,466	54,782	63,306	56.44	15.56	4.07
	G	71,408	95,238	107,898	51.10	13.29	6.94
NPS Lite		5,821	6,086	6,275	7.80	3.11	0.40
TIER II	E	3,085	3,255	3,610	17.01	10.90	0.23
	C	1,124	1,296	1,405	25.06	8.46	0.09
	G	1,981	2,347	2,519	27.13	7.31	0.16
	TTS	19	20	20	7.43	0.45	0.00
APY		39,134	44,781	48,118	22.96	7.45	3.09
Tier II Composite		1	2	3	301.65	38.13	0.00
APY Fund Scheme		925	1,242	1,279	38.23	2.93	0.08
UPS CG		-	-	3,976	-	-	0.26
Total Asset		1,281,843	1,444,753	1,554,950	693	157	100

Minor difference in AUM provided in Table 3 is due to difference in the methodology of calculation of 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 31st July 2025  
३१ जुलाई २०२५ तक आरंभ से लाभ (% में)

Pension Funds→		SBI	LIC	UTI	ICIC I	KOTAK	HDFC	Aditya Birla	TAT A	Axis	DSP
CG		9.62	9.47	9.45	--	0.00	0.00	0.00	--	--	--
SG		9.35	9.44	9.41	--	0.00	0.00	0.00	--	--	--
Corporate-CG		9.37	9.48	--	--	0.00	0.00	0.00	--	--	--
TIER I	A	9.44	7.89	7.86	8.04	7.61	9.07	7.19	10.51	6.69	6.69
	E	11.21	13.27	12.94	13.00	12.50	14.94	13.42	16.20	14.49	18.86
	C	9.59	9.05	8.77	9.57	9.28	9.35	8.51	8.01	8.49	9.27
	G	9.08	9.74	8.34	8.53	8.48	9.01	8.12	8.56	8.66	9.93
TIER II	E	11.19	11.62	11.82	11.81	12.07	13.55	13.60	16.14	15.35	17.66
	C	9.18	8.62	8.78	9.41	8.66	8.71	8.01	8.27	7.84	10.66
	G	9.11	9.97	8.83	8.61	8.26	9.15	7.60	8.67	8.31	9.44
	TTS	6.71	8.27	7.29	7.93	8.47	7.39	8.45	9.10	6.36	6.41
NPS Swavalamban		9.70	9.75	9.71	--	9.63	--	--	--	--	--
APY		8.93	9.23	9.20	--	--	--	--	--	--	--
UPS CG		2.27	1.30	2.40	--	--	--	--	--	--	--
Tier II Composite		6.65	7.12	7.63	--	--	--	--	--	--	--

Source: NPS Trust

