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CIRCULAR

Circular No: PFRDA/2019/1/P&D/1

Date: 1st January 2019

To

All Stakeholders under NPS

Subject: Policy for bulk transfer of self-managed Superannuation Fund to NPS (as is where is basis)

1. The procedure for transfer of individual account from recognized provident fund/superannuation fund to NPS was laid down by the Authority vide circulars no: PFRDA/2017/11/PD/3 dated 6th March 2017 and PFRDA/2018/48/P&D/1 dated 1st June 2018.

2. Considering the requests received from various stakeholders for facilitating the bulk transfer of assets of self-managed Superannuation Trust Funds to NPS (as is where is basis), the Authority has approved a policy/process for enabling such transfers. The detailed process is provided as Annexure A.

Yours faithfully

(Mono MG Phukon)
General Manager

Annex A

Process for bulk transfer of Superannuation Fund to NPS as is where is basis

1. **Corporate Registration:**
   a. The Corporate will register itself with either of the CRAs (through a PoP or as a PoP-Corporate).
   b. The Corporate will select the PF for the new SAF asset class/scheme for transfer of funds from existing SAF to NPS.
   c. Choice of scheme preference options (Active/Auto choice & Asset allocation) for incremental flows can be exercised either by the Corporate or by the subscribers.
   d. The PF chosen for SAF transfer and incremental funds transfer will be the same. *(The existing policy of exercising choice of PF & Scheme preference in case of NPS Corporate Model not applicable)*
2. **PF and investment schemes:**
   a. The PF selected by the Corporate will create a new SAF scheme.
   b. There will be separate SAF scheme for each corporate (e.g., 'SAF_Company1'; 'SAF_Company 2' etc.)
   c. The transfer of underlying assets of the existing SAF will be at market value. The existing underlying assets of SAF will be marked at market value (valued as per the existing valuation practices) for transfers to PF. Any difference in value of SAF corpus due to marked to market valuation on transfers will be borne by the SAF Trust or Subscribers.
   d. The underlying assets/securities will be transferred to the PF by the existing SAF. The PF shall consent for each asset being transferred through negotiation and discussion with the SAF Trust.
   e. The new SAF scheme will be registered with Rs.10 NAV in the CRA system. Alongwith other schemes, NAV for this scheme will also be uploaded by the PF in the CRA system and NAV of SAF scheme may vary as per the market valuation every day.
   f. The dividends / interest will go back to the SAF Scheme.
   g. No new contributions will be accepted in the legacy SAF scheme except dividends/coupons/maturity/sale proceeds of existing securities.
   h. The existing investment guidelines will not be applicable to the SAF Scheme.

3. **Subscriber Registration:**

   a. Employees who are part of SAF of the corporate will register in NPS as per the existing registration process. It is a pre requisite to the transfer of legacy funds.

   b. Each subscriber will be part of two schemes - SAF Scheme for legacy funds & private sector scheme (E/C/G/A) for incremental contributions.

   c. In case of non-traceable employees, a "control account" in the name of NPS Trust will be opened in the CRA system and there would be one control account for each corporate SAF Scheme.

   d. Details of non-traceable employees will be maintained by the Corporate/SAF Trust

   e. Details of PRANs (including the control account) will be available to the Corporate/PoP. In addition, PRAN details will be provided to the concerned PF of the Corporate, specifying the superannuation date of each individual employee/subscriber for ALM purpose.

4. **Legacy Contributions:**

   a. **Credit of legacy contribution: (Initial one-time exercise)**

      i. The value of SAF (prior to assets transfer) and its proportionate holding of each individual employee will be provided by the SAF Trust to CRA and the PF.

      ii. The value of SAF after assets transfer to new SAF Scheme at market value will be determined by the PF and intimated to CRA for allocating the same across each PRAN as per proportionate holding available at CRA prior to asset transfer.

      iii. As per the contribution process, SCF will be uploaded by CRA and units will be credited in the PRANs (including the control account). As mentioned in Point no. 2(e) above, the units will be allocated with Rs. 10 NAV.

      iv. It will be a value free settlement as no actual funds transfer will take place and Trustee Bank to be instructed accordingly.

   b. **Redemption and re-investment of legacy contributions:**

      i. On sale/maturity of underlying investments/securities of SAF scheme, the maturity/sale proceeds will be credited to the SAF Scheme.

      ii. Excess Cash/Liquid assets held in the SAF scheme to be transferred by the PF on a quarterly basis to (E/C/G/A) schemes considering ALM. The proportionate share of unit holdings of control account will remain in the SAF scheme (liquid mutual funds).

iii. PF will inform CRA the amount that the PF proposes to transfer from the SAF Scheme to E/C/G/A (as per incremental allocation) and the amount to remain in SAF

iv. CRA will determine the proportion of current holding for each PRAN in the SAF scheme.

v. Based on the holding proportion, PRAN wise units to be derived from the amount PF proposes to transfer to E/C/G/A and additional units to be allocated in control account.

vi. For transfer of amount, PRAN wise units to be redeemed from SAF Scheme in the proportion derived as above (refer point v) and re-investment will be done in private sector scheme (E/C/G/A) for the existing PRANs through contribution upload process by CRA.

vii. The amount transferred/redeemed from SAF scheme will be allocated in E/C/G/A to the PRAN existing in SAF scheme in the same proportion as derived above.

viii. Due to time lag in redemption of units from SAF and re-investment in E/C/G/A there may be difference in the amount PF proposed for the transfer in E/C/G/A.

5. Exit and disbursements:

a. In case of superannuation of existing Subscribers, as per the existing process, exit withdrawal request will be initiated in the CRA system.

b. CRA will provide the details of exit requests to the PFs.

c. Unit holding in SAF Scheme (legacy) as well as private sector scheme (E/C/G/A) will get redeemed and funds will get transferred to Subscriber's bank account as registered under NPS.

6. Scheme Preference Change, One Way Switch & Subscriber Shifting:

a. Subscriber will have an option of scheme preference change for holdings (incremental flows) in E/C/G/A asset classes.

b. PF change option will not be available to Subscribers who are part of the SAF scheme.

c. Once SAF scheme units get extinguished for such subscriber, they will have the right to exercise PF preference change.

d. In case of Subscriber shifting (to another Corporate/to another sector), unit holding in SAF as well as private sector scheme (E/C/G/A) will be redeemed and reinvested in the scheme in target sector.

7. **Treatment for Control Account for non-traceable Subscribers:**

   a. If the Corporate/SAF Trust identifies any non-traceable employee in the Control Account;

      i. Corporate/SAF Trust will provide the details of investment in proportion of the identified employee to CRA, PF and NPS Trust.

      ii. Based on the details received from Corporate/SAF Trust, CRA will process units redemption from Control Account.

      iii. After completion of redemption, funds will get transferred to the concerned Corporate/SAF Trust to make final settlement to such subscribers.

8. **Treatment of Surplus funds for liquidity maintenance:**

   a. PF will maintain liquidity in SAF scheme based on the retirement date of the underlying subscribers being provided by CRA.

   b. In this process, in case of surplus, if any, on quarterly basis, PF will inform CRA the amount to be transferred as per the process defined under point 4(b) above.

   c. Inter-scheme transfer will be permitted from the SAF scheme to address liquidity requirements, in case the coupon/dividend/redemption are not sufficient to meet redemption requests.

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