



National Pension System (NPS)



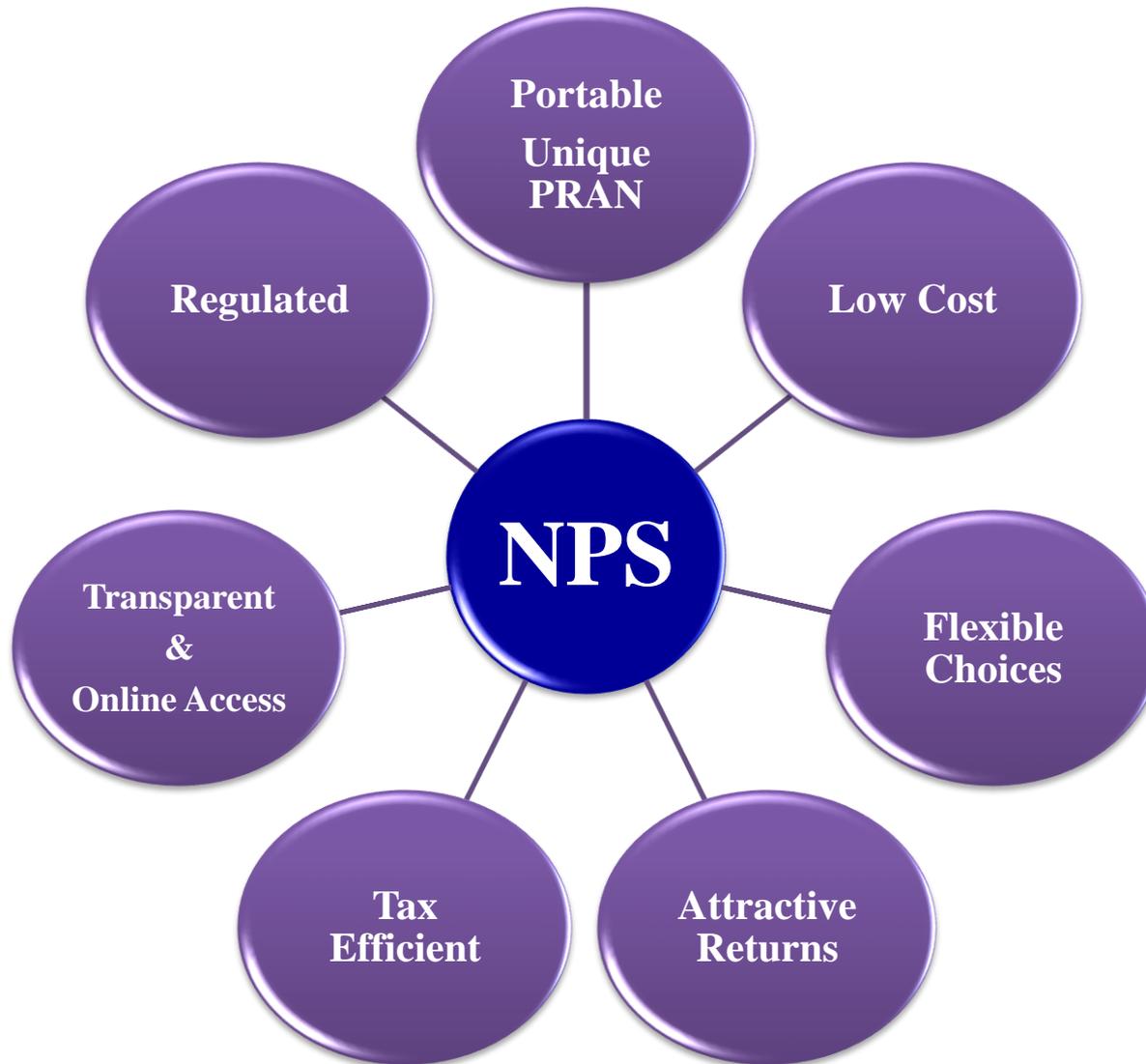
National Pension System - NPS

- ❑ NPS notified on 22nd Dec 2003 for central government employees joining service on or after 1st Jan 2004 and replaced existing defined benefit pension.
- ❑ NPS has been adopted by almost all the States for its employees.
- ❑ NPS was extended to all citizens of Indian on voluntary basis from May 2009.
- ❑ NPS was extended to corporates in Dec 2011 including CPSEs.
- ❑ NPS was extended to NRI / OCI (repatriable or non-repatriable basis)

Stakeholders in NPS

- ❑ **Subscriber** – Individual having an NPS account.
- ❑ **Points of Presence (PoPs) & Retirement Adviser** - Subscriber Interface, Distribution Channel & Advisory Services to subscribers. Receives application forms, contributions and subscriber requests.
- ❑ **Central Recordkeeping Agency (CRA)** - Maintains subscriber records and accounting of subscriber contributions/withdrawals.
- ❑ **Trustee Bank** - Receives remittances from PoP, transfer funds to Pension Funds and remits withdrawal to subscriber's bank account.
- ❑ **Pension Fund (PFs)** - Invest the Funds of subscribers as per scheme preferences.
- ❑ **Custodian** – Provides custodial and depository services.
- ❑ **NPS Trust** – Board of Trustee holding the assets of NPS on behalf of subscribers.
- ❑ **Annuity Service Provider (ASP)** - Provides Annuity to the Subscribers on exit

Features of NPS



NPS – How it works

ENTRY

- Any citizen of India aged 18-70 years
- Application & KYC submission
- Onboarding through Online or Physical modes.

ACCUMULATION

- Regular contributions by self and /or by employer
- Investments managed by professional Pension Funds
- NAV based returns

EXIT

- Normal at 60 years or superannuation age.
- Min. 40% Annuity purchase & Max. 60% lump-sum
- Premature with 80% Annuity purchase & 20% lump-sum
- Partial withdrawal 25% after 03 years with conditions

Types of Accounts



Tier I Account

- **Pension Account**
- **Tax benefits** available
- **Restrictions on** withdrawal
- **Min. Contribution** Rs. 500
- **Min. Contribution** per year Rs. 1000
- **No limits on Contributions**

Tier II Account

- **Optional Account** with active Tier-I
- **No tax benefits**
- **Unrestricted** withdrawal
- **Min. Contribution** to open Rs. 1000
- **Min. Contribution** Rs. 250
- **No limits on Contributions**

Flexible options for contributions

Three flexible variations of contributions from employer and employee



**Equal
contributions by
employer and
employee**

**Unequal
contribution by
the employer and
the employee**

**Contribution
from either the
employer or the
employee**

Options of Recordkeeper

Central Recordkeeping Agency (CRA)



NSDL

Technology, Trust & Reach

KFINTECH



Can be changed thereafter

Options of Fund Manager

Pension Fund (PF)

SBI Pension Funds Pvt. Ltd

LIC Pension Fund Ltd

UTI Retirement Solutions Ltd

ICICI Prudential Pension Funds Management Co Ltd

Kotak Mahindra Pension Fund Ltd

HDFC Pension Fund Ltd

Birla Sun Life Pension Management Ltd.

Can be changed thereafter - once a year

Options for investments

Asset Allocation

Active Choice

Asset Class 'E' - EQUITY - Max 75%

Asset Class 'C' - CORPORATE BOND - Max 100%

Asset Class 'G' - GOVT. SECURITIES - Max 100%

Asset Class 'A' - ALTERNATE ASSETS - Max 5%

Auto Choice

Aggressive Life Cycle Fund (LC-75)

Moderate Life Cycle Fund (LC-50) - (Default)

Conservative Life Cycle Fund (LC-25)

Can be changed thereafter – four times a year

Auto Choice – Asset Allocation

Age	Aggressive Life Cycle Fund (LC-75)			Moderate Life Cycle Fund (LC-50)			Conservative Life Cycle Fund (LC-25)		
	Asset Class (in %)			Asset Class (in %)			Asset Class (in %)		
	E	C	G	E	C	G	E	C	G
Up to 35 years	75	10	15	50	30	20	25	45	30
36 years	71	11	18	48	29	23	24	43	33
37 years	67	12	21	46	28	26	23	41	36
38 years	63	13	24	44	27	29	22	39	39
39 years	59	14	27	42	26	32	21	37	42
40 years	55	15	30	40	25	35	20	35	45
41 years	51	16	33	38	24	38	19	33	48
42 years	47	17	36	36	23	41	18	31	51
43 years	43	18	39	34	22	44	17	29	54
44 years	39	19	42	32	21	47	16	27	57
45 years	35	20	45	30	20	50	15	25	60
46 years	32	20	48	28	19	53	14	23	63
47 years	29	20	51	26	18	56	13	21	66
48 years	26	20	54	24	17	59	12	19	69
49 years	23	20	57	22	16	62	11	17	72
50 years	20	20	60	20	15	65	10	15	75
51 years	19	18	63	18	14	68	9	13	78
52 years	18	16	66	16	13	71	8	11	81
53 years	17	14	69	14	12	74	7	9	84
54 years	16	12	72	12	11	77	6	7	87
55 years	15	10	75	10	10	80	5	5	90

Tax Benefits and Implications

Tax benefits

Own contributions eligible for tax deduction u/s 80 CCD (1) upto 10% of basic + DA or up to 20% of Gross Income for self employed within the overall ceiling of Rs. 1.50 Lacs under Sec. 80 CCE.

Additional deduction allowed upto Rs. 50,000/- under sec. 80CCD 1(B).

Exclusively
available
under NPS

Tax Implications on Exit

Amount utilized for purchase of annuity on exit (minimum 40% mandatory) is not treated as income.

Goods and Service Tax (currently 1.8%) is not applicable on annuity purchase.

Maximum 60% of the total corpus at the time of exit is not treated as income.

Partial Withdrawals are tax-exempt

Contributions made by the employer (upto 10% of Basic + DA)

- Employee gets tax deduction u/s 80 CCD (2) of IT in addition to the tax benefits available under Sec. 80 CCE up to Rs. 7.5 lacs.
- Allowed deduction for employer as a business expense u/s 36 (1) iv (a) of Income Tax Act 1961.

Conditions for Exit (*joining 18-60 years*)

Vesting Criteria	Benefit
<p>Before 60 years or superannuation age</p>	<ul style="list-style-type: none"> • Compulsory Annuitisation - minimum 80% • Lump sum withdrawal - maximum 20% • If Corpus \leq Rs. 2.50 Lac, complete withdrawal permitted
<p>On attaining 60 years or superannuation (<i>as per service rules</i>) and up to 75 years of age.</p>	<ul style="list-style-type: none"> • Annuitisation - minimum 40% • Lump sum withdrawal - maximum 60% • If Corpus \leq Rs. 5.00 Lac, complete withdrawal permitted • Option of deferment or continuance up to 75 years of age • Lump sum deferment till age of 75 years and option to withdraw in annual instalments. • Annuity purchase deferment till the age of 75 years. • Exit anytime during continuance / deferment
<p>Death due to any cause</p>	<ul style="list-style-type: none"> • Nominee will receive 100% of pension wealth in lump sum. • Nominee can also purchase annuity with accumulated pension wealth.

Conditions for Exit (*joining 60-70 years*)

Vesting Criteria	Benefit
Before completion of 3 years	<ul style="list-style-type: none"> • Annuitisation - minimum 80% • Lump sum withdrawal - maximum 20% • If Corpus \leq Rs. 2.50 Lac, complete withdrawal permitted
On completing 3 years and upto 75 years of age	<ul style="list-style-type: none"> • Annuitisation- minimum 40% • Lump sum withdrawal- maximum 60% • If Corpus $<$ Rs. 5.00 Lac, complete withdrawal permitted
Death due to any cause	<ul style="list-style-type: none"> • Nominee will receive 100% of the NPS pension wealth in lump sum.

Partial Withdrawal – Tier I Account

Conditions

- ✓ Subscriber should be in NPS for 3 years
- ✓ Amount should not exceed 25% of the contributions made by the subscriber

Purpose for which partial withdrawal allowed

- ✓ Higher education of his/her children
- ✓ Marriage of his/her children
- ✓ Purchase or construction of residential house or flat
- ✓ Treatment of specified illnesses (including Covid 19)
- ✓ Disability of more than 75%
- ✓ Skill development/re-skilling or any other self-development activities
- ✓ Establishment of own venture or any start-ups

Frequency

- ✓ Maximum 3 (three) times during entire tenure

Annuity Service Providers (ASP)

List of Empanelled ASPs

Life Insurance Corporation of India

SBI Life Insurance Co. Ltd.

ICICI Prudential Life Insurance Co. Ltd.

Star Union Dai-ichi Life Insurance Co. Ltd.

HDFC Life Insurance Co. Ltd.

Bajaj Allianz Life Insurance Company Limited

Edelweiss Tokio Life Insurance Company Limited

India First Life Insurance Company Limited

Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited

Kotak Mahindra Life Insurance Company Limited

Tata AIA Life Insurance Company Limited

Max Life Insurance Company Limited

PNB Metlife India Insurance Company Limited

Aditya Birla SunLife Insurance Company Limited

Annuity Plan - Variants

- Pension (Annuity) payable for life at a uniform rate to the annuitant only.
- Pension (Annuity) payable for 5, 10, 15 or 20 years certain and thereafter till the annuitant is alive.
- Pension (Annuity) payable for life increasing at a simple rate of 3% p.a.
- Pension (Annuity) for life with a provision of 50% of the annuity payable to spouse for upon death of the annuitant.
- Pension (Annuity) for life with a provision of 100% of the annuity payable to spouse upon death of the annuitant.
- Pension (Annuity) for life with return of purchase price on death of the annuitant.
- Pension (Annuity) for life with a provision of 100% of the annuity payable to spouse upon death of the annuitant and return of purchase price on death of the spouse.

Transfers from Recognized PF & Approved SAF to NPS

Circulars

- ✓ Enabled the process vide Circular dated 6th March 2017, 1st June 2018 and 1st Jan 2019

Process

- ✓ Execution of Deed of Variance for offering NPS
- ✓ Approval by CIT
- ✓ Subscriber(s) to request the Trust for transfer of his/her balances to NPS
- ✓ Trust to initiate transfer
 - ✓ If self managed, transfer amount to Point of Presence or Trustee Bank
 - ✓ If managed by fund manger, instruct to transfer amount to PoP/TB
- ✓ A letter from Trust/Employer confirming transfer to NPS
- ✓ Upload by employer as Arrear, with clear bifurcation of contribution with proper remark

Transfers from Recognized PF & Approved SAF to NPS

Provision of IT Act

- Incomes not included in total income: sec 10(13) *"any payment from an approved superannuation fund made - ... (v) by way of transfer to the account of the employee under a pension scheme referred to in section 80CCD and notified by the Central Government"*
- Recognised Provident Funds - Exclusion from total income of accumulated balance: Fourth Schedule Part A, Para 8(iv) *"if the entire balance standing to the credit of the employee is transferred to his account under a pension scheme referred to in section 80CCD and notified by the Central Government"*

Charges of Intermediaries

Intermediary	Charge Head	Service Charge		Method of Deduction
POP	Subscriber Registration	Minimum ₹200 to Maximum ₹400 (negotiable within slab only)		Collected Upfront
	Initial Contribution	0.5% of contribution amount Minimum ₹30/- Maximum ₹25000/- (negotiable within slab only)		
	All Subsequent Contribution			
	All Non-Financial Transaction	Rs. 30		
	Processing of withdrawal / exit	0.125% of corpus Minimum ₹125 Maximum ₹500		
CRA	PRA Opening (One Time)	NCRA	KCRA	Unit deduction
		Rs. 40	Rs. 39.36	
	PRA Maintenance (per annum)	Rs. 69	Rs. 57.63	
	Per Transaction (Financial/Non-Financial)	Rs. 3.75	Rs. 3.36	
Custodian	Asset Serving (per annum)	0.000000001770%		NAV Adjustment
PFM	Investment Management (per annum)	0.0467% - 0.09%		
NPS Trust	Reimbursement of Expenses (per annum)	0.005%		

Online Access to NPS Account

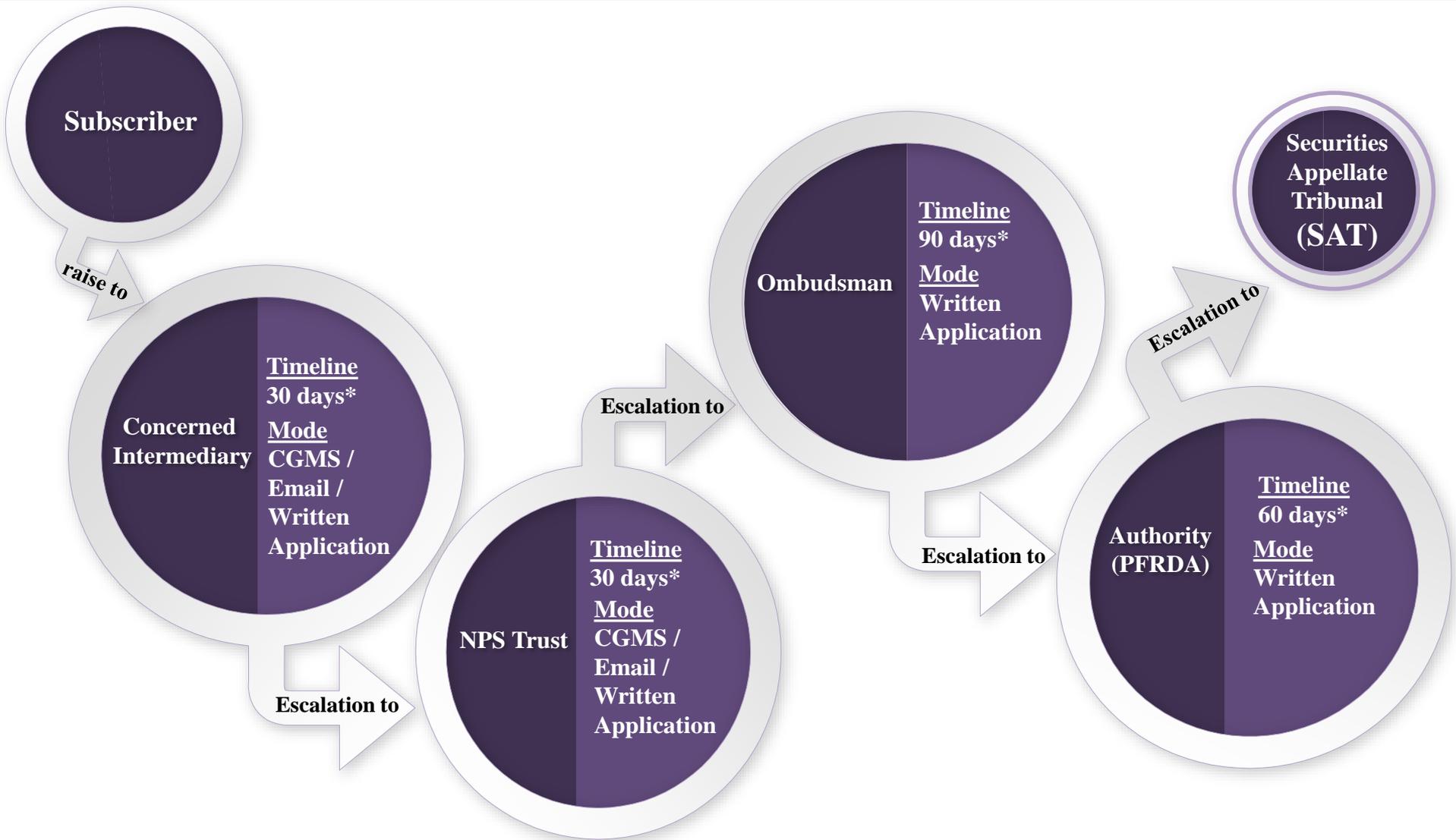
Web portal

Mobile App

Tier-I	NAV	Amount
41383.1475	24.8098	₹ 10,26,707.61

- NPS account is accessible 24X7
- Activate the Tier-II Account
- Access the account instantly by generating password using PRAN
- View / download Statement of Transaction
- Make Contributions through netbanking
- Update Contact Details
- Change PF / Scheme preferences
- Initiate Withdrawals requests
- Submit Grievances or escalate for redressal

Grievance Redressal Mechanism of NPS



THANK YOU