- **What is National Pension System?**

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

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

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

- **What is NPS Corporate Model?**

  PFRDA has launched a separate model to provide NPS to the employees of corporate entities, Central Public Sector Enterprises and Public Sector Undertakings. This model is known as "**NPS - Corporate Sector Model".**

- **Which types of entities/organizations can join NPS– Corporate Model?**

  i. Entities registered under Companies Act,
  ii. Entities registered under various Co-operative Acts,
  iii. Central Public Sector Enterprises
  iv. State Public Sector Enterprises
  v. Registered Partnership firm
  vi. Registered Limited Liability Partnership (LLPs)
  vii. Anybody incorporated under any act of Parliament or State legislature or by order of Central / State Govt
  viii. Proprietorship concern
  ix. Society/Trust

- **What are the benefits to the employer in this model?**

  The Corporate employer registered with the NPS, can claim tax benefits for the amount contributed towards pension of employees. Employer can treat contribution upto 10% of the salary (basic and dearness allowance) to employees' NPS account as 'Business Expense' under Section 36(i)(iva) of Income Tax Act, 1961.

  i. The Corporate can save on their expenses incurred on formation of trust, management of funds and recordkeeping etc.

ii. Corporate can act as a facilitator to extend benefits of NPS to its employees.

iii. Corporate may select the PFM for its employees (which the employees can change after a year) or leave the option to employees for selecting PFMs for themselves.

iv. Platform to co-contribute for employees' pension.

- **What are the benefits to the employees in this model?**

i. Cheapest investment product with better growth options through long term market-linked returns.

ii. Provides choice of various funds with a flexible investment pattern.

iii. Individual Retirement Account for record keeping at individual level ensures portability across geographies and employment.

iv. Employee's as well as Employer's contribution towards the NPS account of employee is eligible for tax exemption as per the Income Tax Act, 1961 as amended from time to time.

v. Offers Tier II account which is a voluntary savings facility with anytime liquidity/withdrawal option.

vi. Efficient grievance management through CRA Website, Call Center, Email or Postal Mail.

vii. Routine/quarterly disclosure of the funds helps subscriber to achieve better fund management.

viii. Auto Choice option for those who do not have the required knowledge to manage their investment.

ix. An option to remain invested even after retirement (deferred withdrawal option is available)

- **What are the features of the retirement account provided under NPS?**

The following are the most prominent features of the retirement account under NPS:

- Every individual subscriber is issued a Permanent Retirement Account Number (**PRAN**) card and has a 12 digit unique number. In case of the card being lost or stolen, the same can be reprinted with additional charges.
- Under NPS account, two types of accounts – Tier I & II are provided. Tier I account is mandatory and the subscriber has option to opt for Tier II account opening and operation. The following are the salient features of the Tier-I and Tier-II accounts:
  - ➢ Tier-I account: This is a restricted and conditional withdrawable retirement account which can be withdrawn only upon meeting the exit conditions prescribed under NPS.
  - ➢ Tier-II account: This is a voluntary savings facility available as an add-on to any Tier-1 account holder. Subscribers will be free to withdraw their savings from this account whenever they wish.

- **What are the minimum contributions to Tier I and Tier II account?**

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

- **What are the possible variations of contribution by employee and employer under NPS?**
  - Equal contribution by the employer and the employee
  - Unequal contribution by the employer and the employee
  - Contribution from either the employer or the employee

- **What happens to the investments if contribution is discontinued or minimum contribution is not met?**

  A subscriber has to contribute a minimum annual contribution of Rs.1000/- for his/her Tier I account in a financial year and if not contributed the account will be frozen. In order to reactivate the account, the customer has to pay the minimum contribution of Rs. 500/- . For unfreezing an account, the subscriber has to approach the Point of Presence (PoP) and pay the required amount, or he/she can make contribution through online eNPS platform. The corpus of the subscriber shall remain invested in the chosen scheme, even if there are no contributions from the subscriber; however, the applicable charges shall be recovered, wherever applicable.

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

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

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

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

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

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

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

- **In what way is the NPS Portable?**

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

- **Can I have more than one NPS account?**
  No, multiple NPS accounts are not allowed for an individual .

- **What are the tax benefits to the employees and the employer?**

  - **Tax benefits to employer:**

  Contributions made by the employer (upto 10% of Basic + DA) is allowed as a **business expense** under **Section 36 (1) iv (a)** of Income Tax Act 1961

  - **Tax benefit to employee:**

  Employee's contribution – Eligible for tax deduction upto 10% of Salary (Basic + DA) under sec 80 CCD (1) within the overall ceiling of Rs. 1.50 Lac under Sec. 80 CCE.

  Additional tax benefit on contribution upto Rs. 50000/- is allowed under Section 80CCD(1b) of Income Tax Act, 1961. This is over and above the tax deduction available under Section 80 CCE.

Employer’s contribution – Eligible for tax deduction upto 10% of Salary (Basic + DA) contributed by employer under sec 80 CCD (2) which shall be excluded from the limit of Rs. 1.50 lac provided under Sec. 80 CCE.

- **Where can corporate and underlying subscribers approach for registration under NPS-Corporate?**

  They can approach any of the registered Point of Presence (POP) under NPS architecture. The list of POPs is available in PFRDA website www.pfrda.org.in and CRA website. Alternatively, the corporate willing to directly provide services to their employees without intervention of POP, may get registration with PFRDA as POP-Corporate.

- **What is POP and POP-SP? What is its role?**

  Points of Presence (POP.) is the interface between the Corporate / subscribers and the NPS architecture. POP-Service Providers (POP-SPs) are the designated branches of registered POPs to perform the functions relating to registration of subscribers, undertaking Know Your Customer (KYC) verification, receiving contributions and instructions from Corporates and transmission of the same to the designated NPS intermediaries.

- **Who will be responsible for uploading the data & contribution?**

  POP/ POP-SP with whom corporate signs the MoU will facilitate the registration of the corporate, registration of the employees, uploading the data& contribution.

- **Is it possible for corporate to change POP at any stage?**

  Yes, the corporate can change the POP.

- **What benefits would family of employee get when the employee covered under NPS expire during the service?**

  In such an unfortunate event, the nominee will receive 100% of the accumulated NPS pension wealth in lump sum.

- **Who can select the Investment option? Employee or Employer?**

  There is flexibility to select scheme and Pension Fund either at corporate level or Subscriber Level. Corporate may opt for Pension Fund and investment choice or leave the option to employees. The subscribers will have the option to change the PF and Investment Choice made by the corporate on behalf of them, after completion of a year.

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

The funds contributed by the Subscribers are invested by the PFRDA registered Pension Fund (PFs) as per the investment guidelines of PFRDA. At present there are 7 Pension Funds (PFs) who manage the subscriber funds at the option of the subscriber.

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

- ICICI Prudential Pension Fund
- LIC Pension Fund Ltd
- Kotak Mahindra Pension Fund
- SBI Pension Fund Pvt. Ltd.
- UTI Retirement Solutions Pension Fund
- HDFC Pension Management Company Ltd
- Birla Sunlife Pension Management Ltd.

However, this list may undergo changes if new pension fund managers are registered by PFRDA or existing players are de-registered by PFRDA.

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

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

- **Active choice:** The subscriber would decide the percentages in which the contributed funds are to be invested in various asset classes (Asset class E, Asset Class C, Asset Class G and asset Class A).

- **Auto choice:** Subscriber has the choice of three lifecycle funds i.e Aggressive Life Cycle Fund (LC75), Moderate Life Cycle Fund (LC50 - default choice) and Conservative Life Cycle Funds (LC25). Under lifecycle funds, the contributed funds are allocated across asset classes automatically based on the age of the subscriber.

- **Whether Pension Fund once selected can be changed?**

Yes, Pension Fund can be changed once in a financial year.

- **If the employer has made a choice of a Pension Fund and Investment Choice, then can the underlying employee choose any other Pension Fund?**

Once the employer has made choice of Pension Fund and Investment Choice, it will be applicable to every new employee joining the organization. However, the employee can change the pension fund and Investment Choice after an year.

- **What are charges applicable in NPS?**

Intermediary	Charge Head	Service Charge	Method of Deduction
	Initial Subscriber Registration	Rs. 200	Collected Upfront
	Initial Contribution	0.25% of the contribution amount Min: Rs. 20 & Max: Rs.25,000	
	All Subsequent Contribution		
	All Non-Financial Transaction	Rs. 20	

<table>
<tr><td>POP</td><td>Persistency</td><td colspan="2">Rs. 50/- per annum (only for NPS-All Citizen)</td><td>Through cancellation of units</td></tr>
<tr><td rowspan="4">CRA</td><td></td><td>NCRA (NSDL)</td><td>KCRA (Karvy)</td><td rowspan="4">Through cancellation of units</td></tr>
<tr><td>PRA Opening (One Time)</td><td>Rs. 40</td><td>Rs. 39.36</td></tr>
<tr><td>PRA Maintenance (Per Annum)</td><td>Rs. 95</td><td>Rs. 57.63</td></tr>
<tr><td>Per Transaction (Financial/Non-Financial)</td><td>Rs. 3.75</td><td>Rs. 3.36</td></tr>
<tr><td>Custodian</td><td>Asset Serving (Per Annum)</td><td colspan="2">0.0032% of Assets under Custody</td><td>Through cancellation of units</td></tr>
<tr><td>Pension Fund</td><td>Investment Management (Per Annum)</td><td colspan="2">0.01% of Assets Under Management</td><td rowspan="2">Through adjustment in NAV</td></tr>
<tr><td>NPS Trust</td><td>Reimbursement of Expenses(Per Annum)</td><td colspan="2">0.005% of Assets Under Management</td></tr>
</table>

Subscribers whose accounts are associated with POP, making subsequent transaction through e-NPS, a service charge of 0.10% of the contribution amount ad valorem, subject to minimum of Rs 10/- and maximum of Rs 10,000/- per transaction would be recovered and payable to the associated POPs..

The POPs will continue to have the option to negotiate the charges with the subscribers, but within the prescribed charge structure.

- **Who pays the charges applicable under NPS?**

  For operational purpose, charges will be deducted from employee’s account by cancellation of units, if the employer is not bearing the charges

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

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

- **When an employee leaves the job, what would happen to PRAN a/c?**

  Employee can shift the corpus to new employer with same PRAN a/c if the new employer is already a registered entity under NPS. But if not, then employee can continue the PRAN a/c under All Citizen Model.

- **In case if any employee resigns or leaves the organization, can the employer contribution be forfeited?**

  The employer contributions cannot be forfeited under NPS.

- **Whether employees have facility of Loan/advances under NPS? Whether lien can be marked on NPS account?**

  There is no such provision under NPS.

- **What are the benefits offered under NPS and when they can be withdrawn?**

NPS is a long-term retirement savings scheme which builds up the pension wealth through effective investments of the subscriber contributions over the term of the subscriber's continuation in the scheme. The greater the value of the contributions made, the greater the investments achieved, the longer the term over which the fund accumulates and the lower the charges deducted, the larger would be the eventual benefit of the accumulated pension wealth likely to be. The subscriber can exit from NPS and withdraw the accumulated pension wealth in the following manner and no other exits or withdrawals are permitted:

Retirement / Superannuation age of corporate subscriber (employee) is decided by the Corporate (employer).

For subscribers joining between 18-60 years

a. **Upon attainment of superannuation**: At least 40% of the accumulated pension wealth of the subscriber needs to be utilized for purchase of an annuity providing for the monthly pension of the subscriber and the balance (60%) is paid as a lump sum payment to the subscriber. If the total corpus is not exceeding Rs. 2 lacs, then the subscriber has the option to withdraw the whole corpus in lumpsum.

b. **Upon Death (irrespective of cause)**: The entire accumulated pension wealth (100%) would be paid to the nominee / legal heir of the subscriber and there would not be any purchase of annuity/monthly pension. The nominee, if so wishes, has the option to purchase annuity.

c. **Exit from NPS before attainment of superannuation (irrespective of cause):** An Subscriber under Corporate Model is allowed to exit from NPS voluntarily, only after completion of minimum 10 years in NPS. In case the subscriber voluntarily exits before superannuation, at least 80% of the accumulated pension wealth of the subscriber needs to be utilized for purchasing an annuity for providing **pension to the subscriber and the balance (20%) can be withdrawn in lump** sum. If the total corpus is not exceeding Rs. 1 lac, the subscriber has the option to withdraw the whole corpus in lumpsum.

For subscribers joining between 60-65 years

The exit conditions for subscribers who joined NPS beyond the age of 60 years in the NPS-Private Sector will be as under:

(a) Normal exit: The subscriber exiting after completion of 3 years from the date of joining NPS. In the normal exit, the subscriber will be required to annuitize at least 40% of the corpus for purchase of annuity and the remaining corpus can be withdrawn in lump sum. In case the accumulated corpus at the time of exit is equal or less than Rs. 2 lacs, the subscriber will have the option to withdraw the entire corpus in lump sum.

(b) Premature Exit: Any exit before completion of 3 years will be treated as premature exit. In such case, the subscriber will be required to annuitize at least 80% of the corpus for purchase of annuity and the remaining corpus can be withdrawn in lump sum. In case the accumulated corpus at the time of exit is equal or less than Rs. 1 lac , the subscriber will have the option to withdraw the entire corpus in lump sum.

(c) Exit due to the death of the subscriber: The entire corpus shall be payable to the nominee of the subscriber.

The subscribers would be able to purchase the annuities directly from the empanelled Annuity Service Providers as per their choice of annuity that is available with the ASPs.

- **Can I withdraw amounts from my NPS account before maturity/superannuation?**

Yes. A subscriber on completion of 3 years in NPS is permitted to partially withdraw from his/her account subject to a maximum of 25% of the contributions made by the subscriber for the specified purposes.

Partial withdrawal from NPS is permitted upto a maximum of 3 (three) times during the entire tenure.

- **What are the income tax implications on withdrawals/exit from NPS?**

➢ Partial Withdrawals from NPS are tax exempted.
➢ Amount utilized for purchase of annuity (minimum 40% mandatory) on maturity/exit is not treated as income.
➢ Goods and Service Tax is not applicable on annuity purchase by NPS subscriber.
➢ 60% of the total corpus received as lumpsum by subscriber on exit/maturity is not treated as income.

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

Indian Life Insurance companies who are licensed by Insurance Regulatory and Development Authority (IRDA) are empanelled by PFRDA to act as Annuity Service Providers to provide annuity services to the subscribers of NPS. Currently, the following are the ASPs are empanelled by PFRDA. For details of empaneled ASPs, please refer the ‘Exit from NPS’ section in the website.

- **What is an annuity and what are the different types of annuities providing for monthly pension available to the subscribers of NPS?**

An annuity is a financial instrument which provides for a guaranteed payment on monthly/quarterly/annual basis for the chosen period for a given purchase price or pension wealth. In simple terms it is a financial instrument which offers monthly/quarterly/annual pension at a guaranteed rate for the period you choose. Currently, only the registered life insurers offer the annuities in the Indian Market. Annuity Service Providers provide the following type of annuities to the subscribers of NPS and subject to the conditions like stipulated minimum corpus, age at entry etc:

1. Pension (Annuity) payable for life at a uniform rate to the annuitant only.
2. Pension (Annuity) payable for 5, 10, 15 or 20 years certain and thereafter as long as you are alive.
3. Pension (Annuity) for life with return of purchase price on death of the annuitant (Policyholder).
4. Pension (Annuity) payable for life increasing at a simple rate of 3% p.a.
5. Pension (Annuity) for life with a provision of 50% of the annuity payable to spouse during his/her lifetime on death of the annuitant.
6. Pension (Annuity) for life with a provision of 100% of the annuity payable to spouse during his/her lifetime on death of the annuitant.
7. Pension (Annuity) for life with a provision of 100% of the annuity payable to spouse during his/her lifetime on death of the annuitant and the return of the purchase price to the nominee.

   Subscriber can opt for any of the above annuity variant at the time of exit.

- **Where can I submit my withdrawal request and what are the documents required to be submitted?**

  The withdrawal request seeking exit from NPS in the permissible manner can be submitted to the employer / Point of Presence associated with the Corporate.

- **How the annuity OR monthly pension is paid**

  Monthly pension /Annuity will be paid through direct bank transfer to the specified subscribers' bank account only.

- **What is the process of registration of corporates?**

  <u>*Corporate Registration Process*</u>

  The Corporate desirous of extending NPS to their employees would need to tie up with POP under NPS through MoU.

  The corporate would submit the CHO–1 form to the POP. Post necessary due diligence on the status of the corporate, POP would submit the duly certified form to CRA.

  CRA would register the corporate in the CRA system and allot Entity Registration Number which would be reflected in each Subscriber Registration Form (CSRF)

Employee Registration Process

Employees would submit the following documents to the nearest POP branch for Subscriber Registration and PRAN generation

1) Duly filled CSRF Form duly attested by HR

2) KYC as prescribed by PFRDA.

3) First contribution of Rs.500 (in the form of Cheque / Demand Draft/Bankers' Cheque)

- **Which forms are required for registration of employee and employer?**

  There is a separate form for registration of employee and employer. Form CHO-1 is for corporate registration and form CSRF is for employee's registration.

- **Whether KYC compliance is required for employee and employer separately?**

  KYC compliance is mandatory for registration of employee as well as employer.

- **I have a NPS account and have a grievance on the services provided. To whom shall I report and how?**

A: The subscriber can raise grievance through any of the modes mentioned below:

- **Call Centre/Interactive Voice Response System (IVR)**
  - ➢ The Subscriber can contact the CRA call center at toll free telephone number 1-800-222080 and register the grievance by using T-PIN.
  - ➢ Dedicated Call center executives.
- **Physical forms direct to CRA**
  - ➢ The Subscriber may submit the grievance in a prescribed format to the POP – SP who would forward it to CRA Central Grievance Management System (CGMS).
  - ➢ Subscriber can directly send form to CRA.
- **Web based interface**

➢ The Subscriber may register the grievance at the website of CRA with the use of the I-pin allotted at the time of opening a Permanent Retirement Account.