

National Pension System (NPS)

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About NPS

What is NPS?

National Pension System (NPS) is a defined contribution pension system introduced by the Government of India as a part of Pension Sector reforms, with an objective to provide social and income security to the citizens of India. It is regulated by Pension Fund Regulatory and Development Authority (PFRDA).

Who can subscribe to NPS?

- ✚ A citizen of India, whether resident or non-resident, between 18 - 65 years of age as on the date of submission of his/her application to the POP.
- ✚ The citizens can join NPS either as individuals or as an employee-employer group(s) / (corporates) subject to submission of all required information and Know your customer (KYC) documentation.
- ✚ Subscriber should comply with the prescribed Know Your Customer (KYC) norms as detailed in the Subscriber Registration Form for NPS.

How NPS works?

Upon successful enrolment to NPS, a Permanent Retirement Account Number (PRAN) is allotted to the subscriber under NPS. Once the PRAN is generated, an email alert as well as a SMS alert is sent to the registered email ID and mobile number of the subscriber by CRA- NSDL / KARVY (Central Record Keeping Agency). Subscriber contributes periodically and regularly towards NPS during the working life to create the corpus for retirement. On retirement or exit from the scheme, the Corpus is made available to the Subscriber with the mandate that some portion of the Corpus must be invested in to Annuity to provide a monthly pension post retirement or exit from the scheme.

What is Permanent Retirement Account Number (PRAN)?

Upon subscription to NPS, a Unique and Portable PRAN (Permanent Retirement Account Number) will be allotted to the subscriber. A PRAN Kit containing PRAN card, Subscriber details (referred as Subscriber Master List) and an information booklet is sent to the subscriber's registered address. The T-Pin and I-Pin are sent separately to the registered address.

In case of the Corporate Sector subscriber, the PRAN Kit alongwith T-PIN & I-PIN will either be sent to the subscriber's registered address or at the Corporate Head Office as per the option selected by the Corporate.

The PRAN Card is a document with PRAN, subscriber's name, father's name, photograph and signature/thumb impression. This card proves the completeness of information in the CRA system.

How do subscribers come to know about their PRAN?

Once the PRAN is generated, an email alert as well as a SMS alert will be sent to the registered email ID and mobile number of the subscriber. For security reason, only the last four digits are mentioned in the alert. Subscribers can know the PRAN on receipt of the PRAN Kit or they can also approach their POP for the PRAN.

Can a subscriber obtain/use more than one PRAN?

No, multiple NPS accounts for a single individual are not allowed and there is no necessity also as the NPS is fully portable across different employment and locations.

Can an NRI & OCI open NPS account?

Yes, an NRI & OCI can open an NPS account. Contributions made by NRI & OCI are subject to regulatory requirements as prescribed by RBI and FEMA from time to time. If the subscriber's citizenship status changes, his/ her NPS account would be closed.

Can HUF and PIO join NPS?

No, HUF and POI are not allowed to join NPS.

Can I open an NPS account jointly with my spouse, child, relative, etc.?

No, NPS account can be opened only in individual capacity and cannot be opened or operated jointly or for and on behalf of HUF.

Can I still invest in NPS if I have invested in any other Provident Fund?

Investment in NPS is independent of your contribution to any Provident Fund.

I have invested in pension funds of non-government/ private entities. Can I still invest in NPS?

Yes. Investment in NPS is independent of your subscription to any other pension fund.

Types of NPS Accounts

What are different types of NPS accounts?

There are two types of NPS accounts i.e. Tier I & Tier II -

Tier I account - Withdrawable mandatory NPS account, where subscribers contribute his / her savings (may include employers' contribution in case of Corporate sector) for source of income post- retirement.

Tier II account - a voluntary savings account from which subscribers are free to withdraw / deposit their savings whenever he/she wishes. An active Tier I account will be a pre- requisite for opening of a Tier II.

- The Bank details, Nomination, Scheme Selection (Fund Manager and Investment Preference) can be different from Tier I account. Choice of Investment Options viz., Active and Auto Choice available.
- Free of Annual maintenance charges.

- Account Details:

- Account will be under the same PRAN.
- There has to be minimum of one transaction in a year.
- Minimum contribution in a year Rs. 1,000/-, no upper ceiling for contribution.
- One-way switch (transfer of funds) from Tier II account to Tier I account is permitted without any restrictions.

Can a Subscriber have more than one NPS account?

No. In the entire life span Subscriber will be allowed to open only one NPS Account. The NPS Account number which is also called PRAN is fully portable across job and geography.

Is it mandatory to open Tier II NPS Account at the time of opening Tier I NPS Account?

No. Tier II NPS Account is optional to the Subscriber. Subscriber can open Tier - II NPS Account later on as well.

Subscription to NPS

What is POP and what is their role?

Points of Presence (POPs) are the first point of interaction for the NPS subscriber in the NPS architecture. The authorized branches of a POP, called Points of Presence (POP), will act as collection points and extend customer services to NPS subscribers including requests for change in address, contact numbers, withdrawal from NPS. State Bank of India is one of the PoP and all branches of SBI are s.

Completeness of subscriber registration form (CSRF-1):

An online link for opening account under NPS shall be sent to the Nodal Officer of the corporate, which in turn shall be circulated among the employees. By clicking on the link, the employees will be directed to our SBI Pension Fund's Online Portal for opening account. The employees shall furnish the details as asked in the portal and after successfully e-Signing the form, the same shall be moved towards the Corporate Dashboard for employment verification. Once verified by the employer the form shall directly flow to the PoP dashboard for further processing and then the PRAN will be generated.

Does Subscriber need to deposit any minimum amount at the time of submission of NPS application form?

Yes. For account opening, a minimum contribution is required as shown below:

- For Tier I account opening: Rs. 500 ○
For Tier II account opening: Rs. 1,000

How to make contribution if joined NPS under Corporate Sector model?

The NPS Corporate Model allows all three variations of contributions from employer and employee:

Equal contributions by employer and employee

Unequal contributions by the employer and the employee

Contribution from either the employer or the employee

Can a subscriber shift his/her PRAN from other sector to corporate sector?

The subscriber who is already having a PRAN need not apply for a fresh PRAN when he / she joins a company which is registered under corporate sector. The Online Portal of SBI Pension Funds will automatically detect whether the subscriber has an existing PRAN with either of the CRA when the employee will enter his/ her PAN and Date of Birth. For such particular employee the Inter Sector Shifting (ISS-1) journey shall be processed where their PRAN shall be shifted from Unorganized Sector (UOS) to Corporate Sector.

How to make contribution to NPS account?

Subscribers can contribute online through Login into the SBI Pension Funds' Online Portal, the credentials which they have already created at the time of registration.

Is there any restriction on frequency of contribution?

There is no restriction on frequency of contribution. Subscriber has the option to make the contribution at any frequency - monthly, quarterly, half yearly or yearly.

Is there any minimum annual contribution requirements under NPS?

Yes, A subscriber has to contribute a minimum annual contribution of Rs.1000/- for his/her Tier I account in a financial year.

What if annual contribution not done in a year?

If contribution of Rs. 1000/- not done in a year, then both Tier I & II (if any) account will be frozen.

How can I reactivate / unfreeze the account if frozen due to minimum contribution requirements?

To reactivate the account, the subscriber has to pay the minimum contribution of Rs. 500/- by approaching the Point of Presence (PoP).

Can Subscriber increase or decrease the contribution amount in subsequent years?

Yes, NPS offers this kind of flexibility to increase or decrease the contribution amount as per their suitability.

Does Subscriber get any alert on credit of contribution amount to his / her NPS accounts?

Yes, once the contribution is credited to Subscriber's NPS account, an email alert as well as a SMS alert is sent to the registered email ID and mobile number of the Subscriber.

Can a Subscriber change / modify data in the NPS system after joining NPS?

Yes. Subscriber needs to submit the request along with the Service Charge of Rs. 20 plus Service Tax to the POP for initiating the modification.

Can a Subscriber request for a duplicate PRAN Card?

Yes. In case of loss or damage of PRAN Card, the Subscriber needs to submit a duly filled S2 form to the POP for issuance of duplicate PRAN Card. Rs.50 plus applicable Service Tax will be deducted by CRA for issuing duplicate PRAN.

TAX BENEFITS available to Individuals & Employees

What are the tax benefits available to Subscribers?

Tier -I Account: -

For Individuals / Employees / Self-employed: -

- Rs. 1.50 Lakh u/s 80 C for the amount invested in NPS
- Additional contribution of Rs. 50,000 is exempt u/s 80 CCD (1B). **Exclusive for investment in National Pension System (NPS).**

For Employees under Corporate Sector model: -

Over and above what is available to Individuals / Employee/s / Self-Employed -

- Employer's contribution to employees NPS account, upto 10% of Basic + DA (up to Rs. 7.50 Lacs), is directly deducted from the taxable income of an employee u/s 80 CCD (2) of IT Act 1961.

Tier- II Account: -

No tax benefit available on investment in Tier - II account. No rules set then no tax benefits.

Charges under NPS

What are the charges the Subscriber has to pay?

- Account Opening (Subscriber Registration) -Rs. 200/- to be paid upfront to PoP
- Recurring transaction charges: @ 0.25% of the contribution amount, a minimum of Rs. 20/- and maximum of Rs.25000/- to be paid upfront to PoP.
- Central Record Keeping Agency (NSDL / Karvy) charges depends upon your selection

	Particulars	Mode of Payment	Tier-I	Tier- II
CRA	Transaction Charge	Unit Redemption	NSDL - Rs.3.75 Rs. KFintech- 3.36	NSDL - Rs.3.75 KFintech- Rs. 3.36
	PRAN Issuance Charge	NAV Cancellation /	NSDL - Rs. 40.00 Rs. KFintech- 39.36	N.A.
	Account Maintenance Charge	Unit Redemption	NSDL - Rs. 95.00 KFintech- 57.36	N.A.

- Custodial charges (0.0032% p.a.), PFM Charges (0.01% p.a.)
- Non-financial transactions, a fee of Rs. 20/- is charged and
- Trust Administration Fee (0.003% p.a.) will be recovered through NAV deduction.

GST as applicable will be levied.

All these charges are predetermined by PFRDA and there are no hidden charges.

What is meant by Non - Financial Transaction?

Transactions like change of address, contact details, change of Pension Fund Manager, Investment Choice, Nomination etc are called non - financial transactions.

How is the Non - Financial Transaction Charge recovered by POP?

Subscriber needs to pay Rs.20 + GST by way of cheque at the time of submitting request to PoP for process of any Non - Financial transaction.

Pension Fund Manager (PFM) and Investment Choice

What does it mean by Pension Fund Manager (PFM)?

Pension fund Manager” means an intermediary under NPS carrying out responsibility for receiving contributions, managing corpus, making payments to the subscriber through CRA and publish daily NAV of each scheme as per guidelines specified by the regulator.

What is the role of Pension Fund Manager?

PFM is mandated to invest and manage the pension assets of the subscribers covered under NPS in accordance with the provisions of the PFRDA Act and Rules & Regulations of the regulator.

Who will manage the funds?

SBI Pension Funds Pvt. Ltd., a wholly owned subsidiary of State Bank of India & group Companies shall be managing the funds of the employees.

Who decide Pension Fund Manager under Corporate Sector model?

Under Corporate sector model, a corporate has the right to choose the Pension Fund Manager (PFM) at corporate level. If decided by Corporate, then the same shall be applicable for all employees.

What are the investment options available to the subscribers to choose from?

There are two investment choice available as shown below

Active choice: under this option, Subscriber gets the flexibility to choose his / her own asset allocation across Equity (E), Corporate Bonds (C), Government Securities (G) and Alternate Investment Funds (A). Total allocation across E, C, G & A asset classes must be equal to 100%.

Four different asset classes and % of investment available as:

- Asset Class E - Equity market instrument (Maximum investment - upto 75%)
- Asset Class C - Fixed income instruments other than Government Securities - upto 100%
- Asset Class G - Government Securities - upto 100%
- Asset Class A - Alternate Investment Fund (AIF) like REIT etc - upto 5%

In case the applicant indicates a % share more than 75% for Scheme E (Equity), or the % allocation total is not equal to 100%, or the asset allocation table is left blank the application form shall be rejected.

Auto Choice: Three Lifecycle Funds viz Aggressive, Moderate & Conservative available and investment pattern in asset classes are derived as per the age of the subscriber.

Eg., anybody whose age is 35 and below,

Aggressive LC - Cap to Equity investment restricted to 75% of the contributions, 10% in Corporate Bonds and 15% in Government Securities.

Moderate LC - Cap to Equity investment restricted to 50% of the contributions, 30% in Corporate Bonds and 20% in Government Securities.

Conservative LC - Cap to Equity investment restricted to 25% of the contributions, 45% in Corporate Bonds and 30% in Government Securities.

Is there any guaranteed returns provided under NPS?

No. Returns would depend on investment pattern chosen and market conditions

- NPS is NAV based product with market determined returns, similar to Mutual Funds.

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

Yes. You may have different PFMs and Investment Options for NPS Tier I and Tier II accounts. Even Asset allocation may be different in both the accounts

.

Who will choose Investment Choice under Corporate Sector model?

A Corporate has the flexibility to provide investment scheme preference either at corporate level or at the subscriber level centrally for all its underlying subscribers. If corporate chooses so, then applicable to all employees.

The Corporate as well as the Subscriber can have any of the two choices for their asset allocation:

Active Choice: A corporate / subscriber, as the case may be, will have the option to actively decide as to how the NPS pension wealth to be invested across asset classes E (upto 75%), C & G. Or

Auto Choice: In this option, the investments will be made in a life-cycle funds (Aggressive, Moderate and Conservative). Here, the proportion of funds invested across three asset classes will be determined by a pre-defined portfolio (which would change as per age of subscriber).

Partial Withdrawal from NPS Tier- I Account

Is partial withdrawal allowed from Tier I NPS Account?

Yes. Subscriber can withdraw up to 25% of his / her contribution amount towards NPS Tier - I Account, after lock in period of 3 years. Subscriber is allowed to withdraw from Tier I NPS account three (3) times during the entire period.

What are the conditions of partial withdrawal?

Withdrawal from Tier - I NPS account would be permitted for specific purposes like Child's marriage, higher education, treatment of critical illnesses, construction of House etc.

EXIT from NPS

When can the subscriber exit?

The Subscriber can exit, after a lock in period of 10 years, provided that, -

- a) on attaining age of 60 years, normal retirement age in which case:
 - 60 % of the corpus can be commuted/withdrawn in lump sum (Tax Free) anytime up to the age of 70 yrs
 - Minimum of 40% of the corpus needs to be invested in a 'Annuity Scheme'
 - If the accumulated corpus is below Rs. 2.00 Lacs, you can withdraw entire amount and not required to buy annuity.

- b) before 60 years of age, in which case:
 - 20 % of the corpus (tax Free) can be withdrawn in lump sum
 - 80 % of the corpus will be invested in a 'Annuity Scheme'
 - If the accumulated corpus is below Rs. 1.00 Lacs, you can withdraw entire amount and no need to buy annuity.

Is it mandatory to withdraw the corpus immediately at the time of exit from NPS?

Not necessary to withdraw the corpus at the time of exit. Depending on the market condition at that point in time, subscriber may defer the withdrawal upto the age of 70 years. Subscriber can withdraw deferred corpus either in lump sum or take the same in 10 installments before completing 70 years of age.

However, in case of pre - mature exit from NPS (before attaining the age of 60 years), Subscriber does not have option to defer the withdrawals.

What if Subscriber decides to defer the withdrawal?

The fund would continue to remain invested. The Pension Fund Manager, Scheme Preference and Asset Allocation Pattern will remain the same as these were at the time of vesting.

Can the contribution be continued / extended beyond the age of 60 years?

The subscriber can continue to subscribe to the scheme, not exceeding 70 years.

What if, in case of death the subscriber before attaining 60 years of age?

- Nominee will receive the entire accumulated corpus Tax Free, available in the deceased subscribers account, in lump sum.
- Nominee may invest the received corpus in an annuity scheme to get pension, or
- at his/her wish, may continue with the NPS by registering a fresh in his/her name under NPS and transfer the corpus available under the deceased subscriber's account to his/her account

In case of death of the Subscriber, who can claim the corpus in Tier I and Tier II NPS Accounts of diseased?

In case of death of the Subscriber, option will be available to the nominee to receive 100% of the NPS pension wealth in lump sum. In case, nominee is not mentioned, legal heir to the Subscriber can claim the corpus.

What is the process of claiming the corpus after death of the Subscriber?

The beneficiary needs to submit the request to POP. It is required to submit original PRAN Card alongwith claim form alongwith KYC document and bank account details of beneficiary.

What will happen to my Tier II contribution, in case closure of Tier I account?

Your Tier II account will also close once you request for closure of Tier I account. Units under Tier II account will be redeemed and amount will be transferred to your given bank account.

Nomination Facilities

Can I appoint nominee/s for the NPS Tier I & Tier - II Accounts?

Yes, the subscriber has to appoint a nominee/s at the time of opening of NPS account.

Can I nominate different nominee/s for Tier I & Tier II Accounts?

Yes, the subscriber can nominate different nominee/s for Tier I & II accounts.

Is there any restriction on number of Nominees?

Yes. Subscriber will be allowed to register upto three nominees only.

In case of more than one nominee, sum of percentage share across all the nominees must be equal to 100. If sum of percentage is not equal to 100, entire nomination will be rejected.

Can I change the Nominee/s for my NPS Accounts?

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

Annuity Investment on Exit from NPS

Who will pay the pension after exit from NPS?

Empanelled Annuity Service Provider (ASP) by PFRDA, from whom the Annuity is purchased at the time of exit from the National Pension System, would be responsible for delivering a regular pension. ASPs are Life Insurance Companies regulated by Insurance Regulatory and Development Authority (IRDA).

Who are Annuity Service Providers (ASPs) under NPS?

There are 5 ASPs empaneled with PFRDA. ASPs are

- 1) **SBI Life Insurance Co. Ltd.**
- 2) Life Insurance Corporation of India.
- 3) ICICI Prudential Life Insurance Co. Ltd.
- 4) Star Union Daichi Life Insurance Co. Ltd.
- 5) HDFC Standard Life Insurance Co. Ltd.
- 6) IndiaFirst Life Insurance Co Ltd.
- 7) Edelweiss Tokio Life Insurance Co. Ltd.
- 8) Bajaj Allianz Life Insurance Co Ltd..
- 9) Canara HSBC Oriental bank of Commerce Life Insurance co Ltd.
- 10) Tata AIA Life Insurance Co. Ltd.
- 11) Max Life Insurance Company Ltd.

What is an annuity?

An annuity is a financial instrument which offers monthly/quarterly/annual pension at a guaranteed rate for the period you choose for a given pension corpus.

What are the different types of annuities providing for monthly pension available to the subscribers of NPS?

Annuity Service Providers provide the following type of annuities to the subscribers of NPS:

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.

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.

Can a Subscriber change the annuity service provider?

No, this option is not available.

Can a Subscriber use 100% of accumulated wealth to buy annuity plan?

Yes. Subscriber can use 100% of accumulated wealth to buy annuity plan

Can a subscriber defer buying annuity plan at the time of exit on retirement?

In case of exit from NPS on retirement age i.e. 60 years of age, Subscriber can defer buying annuity option for another 3 years i.e upto 63 years of age depending on the market condition. Subscriber can buy annuity anytime during the period before attaining the age 63 years.

In case of death of Subscriber, what happens to the annuity plan bought by him / her?

It will depend on the kind of annuity plan opted for the Subscriber. For an example, if the annuity plan is joint life annuity plan, on death of Subscriber, the spouse will get the annuity till he / she is alive

Maintenance of NPS Accounts Tier - I & II

Who maintains NPS accounts under NPS?

Central Record Keeping Agency (CRA) is one of the intermediaries under NPS acts as an operational interface between PFRDA and other NPS intermediaries such as Points of Presence, Pension Fund Managers, Annuity Service Providers, Trustee Bank etc.

Currently, NSDL e-Governance Infrastructure Limited and M/s Karvy Computershare Private Limited are carrying out activities of CRA. The subscriber has been provided with an option to choose between NSDL e-governance Ltd and M/s Karvy Computershare Pvt. Ltd.

Interoperability functionality allows the existing subscribers of NPS to shift from one CRA to the other.

What are the services offered by CRA?

Following are the services offered by CRA to the Subscribers of NPS:

- † Recordkeeping, administration and customer service functions for all NPS subscribers.
- † Maintaining database of all PRANs issued, scanned copies of KYC documents and recording transactions.

- † CRA shall register the Subscribers through PoP and allot unique Permanent Retirement Account Number (PRAN) to them.
- † CRA shall also issue a PRAN card and User-ID, I-Pin and T-Pin to access CRA website and CRA call centre.
- † CRA shall maintain the Permanent Retirement Account of the Subscribers and shall facilitate the creation of units in Subscribers account as per the contribution details and funds received from the POP Offices.
- † On successful contribution to your NPS account, an email alert as well as a SMS alert will be sent to the registered email ID and mobile number of the subscriber
- † At the end of every financial year, CRA shall send a Transaction Statement to the Subscriber containing the details of the transactions in Subscribers' Permanent Account.
- † CRA shall register the grievances and send the resolution details to the Subscribers.

- † CRA shall provide I-Pin based login for subscribers to view their account details in CRA website <https://cra-nsdl.com> and <https://nps.kfintech.com/>
 Providing: -
 - † Web based access to all the NPS Stakeholders
 - † Call Centre Facility
 - † Subscriber maintenance services such as change of scheme, change of demographic details, grievance handling etc
 - † Periodic consolidated SOT (Statement of Transactions)
 - † Centralized Grievance Management System
 - † Claims Processing Cell and related functionalities to process the withdrawal requested

Can a Subscriber change / modify data in the NPS system after joining NPS?

Yes. Subscriber needs to submit the request along with the Service Charge of Rs. 20 plus Service Tax to the POP for initiating the modification.

From where the forms for service requests can be obtained?

The same can also be obtained from CRA website: The link is www.npscra.nsdl.co.in/ <https://nps.kfintech.com> or on the Online Portal of SBI Pension Funds.

Can a Subscriber request for a duplicate PRAN Card?

Yes. In case of loss or damage of PRAN Card, the Subscriber may login into the SBI Pension Funds' Online Portal and submit a request for issuance of duplicate PRAN Card. Rs.50 plus applicable Service Tax will be deducted by CRA for issuing duplicate PRAN

Does Subscriber get any physical statement for NPS account?

Yes. An annual statement containing details of the unit holdings is sent by CRA to Subscriber's registered address within 3 months of the end of every financial year

Abbreviations:

- ASP - Annuity Service Provider - SBI Life Insurance Co. Ltd.
- CRA - Central Record Keeping Agency - NSDL
- FEMA - Foreign Exchange Management Act, 1999
- HUF - Hindu Undivided Family
- KYC - Know Your Customer
- NAV - Net Asset Value
- NPS - National Pension System
- OCI - Overseas Citizen of India
- PoP - Point of Presence - SBI Pension Funds Pvt. Ltd.
- PRAN - Permanent Retirement Account Number
- PFM - Pension Fund Manager - SBI Pension Funds Pvt. Ltd.
- PIO - Person of Indian Origin
- PFRDA - Pension Fund Regulatory & Development Authority