Q. What is National Pension System (NPS)?

National Pension System (NPS) is a defined contribution pension scheme notified by Government of India *vide Ministry of Finance notification number F. No. 5/7/2003-ECB&PR , dated 22nd December, 2003*. NPS enables an individual to undertake retirement planning while in employment. With systematic savings and investments, NPS facilitates accumulation of a pension corpus during their working life. **It is regulated by Pension Fund Regulatory and Development Authority (PFRDA).**

NPS is an easily accessible, low cost, tax-efficient, flexible and portable retirement savings account. It provides a platform for savings to create a Retirement Corpus (Pension Wealth) through 4 baskets of investments i.e. Equity (E), Corporate Bonds (C), Govt. Securities (G) and Alternate Assets (A) commonly known as E, C ,G and A.

Q. Who can join NPS?

Any citizen of India, whether Resident or Non-Resident between 18-70 years of age can join the NPS.

Q. What are the benefits of investing in NPS?

NPS is one of the best Retirement Planning Scheme available in the country today. It costs little but delivers more. It has following extra ordinary benefits:

1. **Unique Tax Benefits:** NPS offers Tax-Deduction benefits under three different sections of the Income Tax Act, 1961 namely 80CCD(1), 80CCD(1B) and 80CCD(2).
2. **EEE Status:** NPS enjoys 'exempt, exempt, exempt' tax treatment. Now there is complete tax exemption to the withdrawals on maturity. Hence, now there is Exemption at the time of **Investment**, Exemption at the time of **accretion** and Exemption at the time of **Withdrawal** in line with EPF and PPF.
3. **Low Cost:** NPS is one of the lowest cost pension scheme in the world. The total recurring expenses inclusive of the Fund Management fee and all other handling and administrative charges would work out to be around to 0.26% p.a. The Lower Expense ratio would lead to HIGHER RETIREMENT CORPUS.
4. **Flexible**: Subscribers have freedom to choose and change the
   - i) Pension Fund Managers (PFMs),
   - ii) Investment Pattern/Mix,
   - iii) Point of Presence (PoP),
   - iv) Central Recordkeeping Agency (CRA),
   - v) They also have a choice of Life Cycle Fund.
5. **Portable**: NPS account can be transferred across employment, location/geography.
6. **Optimum returns**: Attractive Market linked returns based on investment choice made by the subscriber/employer.

7. **Well Regulated-** NPS is regulated by PFRDA, with transparent investment norms, regular monitoring and performance review of fund managers by NPS Trust/PFRDA.

Q. Can you elaborate on the Tax-Deduction Benefits available for investments under NPS?

NPS offers Triple Tax benefits which can be summarised as under:

Tax benefits for Salaried Individual	Tax Benefits for Self Employed Individual
1. You may invest upto 10% of your basic salary + dearness allowance and claim tax exemption on the invested amount under section 80CCD(1). This tax exemption is subject to a limit of Rs.1,50,000 under Section 80C of Income Tax Act, 1961.	**1.** You may invest upto 20% of your gross annual income and claim tax exemption on the invested amount under section 80CCD(1). This tax exemption is subject to a limit of Rs.1,50,000 under Section 80C of Income Tax Act, 1961.
2. You can claim additional tax exemption on investment up to Rs.50,000 in NPS under sub-section 80CCD(1B). This benefit is over and above the limit of Rs.1,50,000 under section 80C. *This is an exclusive tax deduction available for investment in NPS only.*	**2.** You can claim additional tax exemption on investment up to Rs.50,000 in NPS under sub-section 80CCD(1B). This benefit is over and above the limit of Rs.1,50,000 under section 80C. *This is an exclusive tax deduction available for investment in NPS only.*
3. You can also avail Tax deduction on Employer's Contribution to NPS **upto 10 % of salary (Basic + DA),** under Section 80 CCD(2)*. It has no upper cap on the amount.	**-----**
* tax deduction under section 80 CCD (2) of Income Tax Act may be claimed by the subscriber in addition to the tax benefits available under Sec. 80 CCE, subject to an aggregate limit of Rs. 7.5 lakh of contributions made by the Employer towards NPS, Recognized Provident Fund and Approved Superannuation Fund.	

Q. What is the process of enrolling in NPS?

You can enroll in NPS either in Offline Mode i.e. by filling Physical Application Forms or Online Mode through the link given in our website under the heading "Join NPS"

Through Offline Mode

If you are an Indian Citizen (Resident/Non Resident) between the age of 18 years to 70 years, you can contact any of our branch offices and ask for NPS Applications Forms and additional information about NPS.

You will be required to undergo the following steps:

A. Fill up the NPS Application form with Black INK (NPS Application Form) and deposit the same in our office.

B. Documents to be attached along with the NPS Application Form
   (i) Affix one colour passport photograph (Size 3.5 cm X 2.5 cm) on the NPS Application Form
   (ii) Proof of Address (AADHAR Card/ Bank Passbook with photo on it/ Voter ID/ Passport etc.)
   (iii) Identity Proof (PAN Card/ Driving Licence/ Passport etc\.)
   (iv) Cheque drawn in FAVOUR of "UTI RSL Collection Account - NPS Trust"
   (v) A cancelled cheque leaf with name preprinted on it.

<u>Through Online Mode:</u>

Please use the link given in our website under the heading “Join NPS”

Q. How does the NPS feature compared to other Retirement Plans?

NPS is far superior to other perceived Retirement plans in many ways. The same can be summarized as under:

Parametres ⇩	<=== Products ===>			
	NPS	**MF Pension Products**	**Insurance Pension Products**	**PPF**
Tax Deductions	Unique Tax Deduction Benefits under 3 different Sections: i) Sec 80 CCD(1) ii) Sec80 CCD(1B) iii) Sec 80 CCD(2)	Only under Sec 80 C Limit	Only under Sec 80 C Limit	Only under Sec 80C Limit
Low Cost	Expense Ratio Ranges between 0.26% to 0.28%	Expense Ratio Ranges between 2% to 2.50%	Expense Ratio Ranges over 2.50%	Government Administered
Returns	Market Linked	Market Linked	Market Linked	Assured
Asset Allocation	Subscribers can chose and change their Asset Allocation Pattern based on their Risk appetite without any exit load.	Based on the Investment Objective of the Scheme. Investor can not customize it.	Based on the Investment Objective of the Scheme. Investor can not customize it.	Government Administered
Liquidity	Limited liquidity before the Retirement Age	Liquidity available subject to exit load	Liquidity available subject to huge exit load	Limited Liquidity and that too not before 7th Year
Tax Treatment on Maturity	- The amount used for purchasing Annuity (Min 40%) – TAXFREE - Rest of the Withdrawal of the Retirement Corpus is totally	- LTCG on debt funds are taxed at the rate of 20% after indexation. ; - LTCG on Equity Funds in excess of	Maturity Amount TAXFREE	Maturity Amount TAXFREE

	TAXFREE **(Has a EEE Status)**	Rs. 1 lakh is taxed at the rate of 10% without the benefit of indexation		
Fund Managers	Can be Changed once a Year without any exit load	Can not be Changed	Can not be Changed	N/A

Q. How can I withdraw my contributed amount?
(Exit / Withdrawals / Liquidity options available in NPS)

The subscriber can exit from NPS and withdraw the accumulated pension wealth in the following manner. No other exits or withdrawals are permitted:

<u>For subscribers joining between 18-60 years:</u>

a. **Partial Withdrawal -** Tax-free partial withdrawals up to 25% of self contribution are allowed after 3 years of operation of NPS Account. One can withdraw upto a maximum of 3 times during his/her entire tenure in NPS for specific reasons viz illness, disability, education or marriage of children, purchasing property, starting a new venture.
b. **Premature Withdrawal - Exit from NPS before attainment of age of 60 years (irrespective of cause):** At least 80% 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 (20%) can be withdrawn as a lump sum by the subscriber. If the total corpus is not exceeding Rs. 2.5 lac, then the subscriber has the option to withdraw the whole corpus in lumpsum. Subscriber can exit from NPS only after completion of minimum 5 years in NPS.
c. **Normal Withdrawal - (Upon attainment of age of 60 years or 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%) can be withdrawn as a lump sum by the subscriber. If the total corpus is not exceeding Rs. 5 lacs, then the subscriber has the option to withdraw the whole corpus in lumpsum.
d. **Exit due to the death of the subscriber:** In case of unfortunate event of death of a subscriber, the nominee/legal heir can withdraw the entire accumulated corpus. The nominee / family members of the deceased subscriber can also purchase annuity, if they so desire.

For subscribers joining between 60-70 years:

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

a. **Normal Withdrawal:** After completion of 03 years, subscriber can withdraw maximum 60% of the corpus as lumpsum and minimum 40% of the corpus has to be utilized for purchasing an annuity plan for receiving the pension. If the accumulated corpus is less than Rs 5 lakhs, the entire corpus is paid as lumpsum to the subscriber.
b. **Premature Withdrawal:** 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 to or less than Rs. 2.5 lac, the entire corpus is paid as lumpsum to the subscriber.
c. **Exit due to the death of the subscriber**: In case of unfortunate event of death of a subscriber, the nominee/legal heir can withdraw the entire accumulated corpus. The nominee / family members of the deceased subscriber can also purchase annuity, if they so desire.

Q. What are the important mandates to be given in the application form?

The applicant has a choice of selecting his own Pension Fund Manager out of the seven Fund Managers appointed by PFRDA. He has also to choose the investment mix/ pattern.

Q. Can I change my Fund Manager and the investment pattern at a later stage?

Yes, one can change the Pension Fund Manager once in a year and the investment mix/pattern four times in a year.

Q. What is the minimum contribution amount and the periodicity of contribution?

A subscriber has to contribute a minimum of Rs.1,000/- (Rupees one thousand only) per Year. The minimum amount per contribution is Rs. 500/- (Rupees five hundred only). However, there is no maximum limit.

There are no restrictions on the number of times the contribution can be made.

Q. What will happen if I default on payment?

In such a scenario, the account will become inactive/dormant and the subscriber will not be allowed to do any online transaction / service request. For activation of account, the subscriber is required to deposit the minimum annual contribution amount along with the applicable PoP charges to the nearest PoP branch. Once the amount is credited to his/her NPS account, it will become activated again. There is no penalty for the non-payment in any Financial Year.

Also during the period you do not pay, NPS will keep charging the expenses against your accumulated corpus. If you continue to default, the account will be closed as and when the value of the units falls to Zero.

Q. What are the various charges involved in the NPS?

The various charges involved in the NPS are enumerated as under:

Intermediary	Charge Head	Service Charge		Method of Deduction
PoP	Initial Subscriber Registration (One Time)	Min. Rs.200/- to Max. Rs.400/-		To be collected upfront
	Initial Contribution and All Subsequent Contributions	0.50% of contribution, subject to Minimum Rs.30/- and Maximum Rs.25,000/-		
	Any Non Financial Transaction	Rs.30/- per Transaction		
	Persistency Charges	- Rs.50/- p.a. for annual contribution Rs.1000/- to Rs.2999/- - Rs.75/- p.a. for annual contribution Rs.3000/- to Rs.6000/- - Rs.100/- p.a. for annual contribution above Rs.6000/- (Only for NPS all citizen)		
	Contribution through eNPS	0.20% of Contribution, subject to Min. Rs.15/- and Max. Rs.10000/- (Only for NPS All citizen & Tier II Accounts)		
CRA Charges	CRA --->.	K- Fintech CRA	NSDL CRA	ThroughNAV Cancellation/ Deduction
	PRA Opening (One Time)	Rs. 39.36	Rs.40/-	
	PRA Maintanance (Per Annum)	Rs. 57.63	Rs.69/-	
	Per Transaction (Financial / Non Financial)	Rs.3.36	Rs.3.75	

Custodian	Asset Servicing (Per Annum)	Negligible	
PFM	Investment Management Fee	About 0.05 % per Annum	
The overall expense ratio (PoP Charges + CRA Charges+ PFM Charges+ Custodian Charges) will be about 0.26%.			

Q. Till when I can contribute and when my pension will start?

Under NPS, the Normal Retirement age is considered to be 60 Years. Therefore, a member can generally contribute up to the age of 60 Years. The Pension will start after attaining the age of 60 years. However, if the subscribers wants, he/she can continue to contribute till the age of 75 Years.

Q. What will be the modus operandi of getting pension and what will be the quantum of Pension?

When you attain 60 Years of age, a Retirement corpus will be formed out of your contributions and returns generated on the same. You will have to buy an annuity with a minimum of 40% of the Retirement Corpus generated from the Annuity Service Providers enrolled under NPS which will give you a monthly pension for whole of your life span. You have the freedom of annuitizing the whole of the Retirement Corpus or any percentage over and above 40% as you deem fit. The rest of the amount can be withdrawn.

The quantum of Pension is not fixed. It will depend upon the volume of your contribution, the returns generated over the tenure of the scheme, the percentage of your corpus utilized for buying annuity and the prevalent rate of returns at the time of buying annuity.

Q. Are the Returns under NPS guaranteed? If not, what returns can I expect from this system?

No, returns under the NPS are not guaranteed. The returns generated in NPS will be market linked. The returns generated will depend on the investment pattern opted, the quality of Fund Management and the various costs involved.

Q. Where will the amount be invested and what choices I have?

The amount will be invested in Equities, Govt. Securities, Corporate Bonds and Alternate Assets as per the investment pattern/Investment mix opted by you. However, you can **not** opt for more than 75% in equities and more than 5% in Alternate Assets.

In case you do not choose any investment pattern it will be invested as per ‘Auto Choice’ mode. This is also sometimes referred as “Life Cycle Fund” where the asset allocation is a function of your age. Under Auto Choice mode, investors have 3 options: -

i) Aggressive Life Cycle Fund (with Equity upto 75%)

ii) Moderate Life Cycle Fund (with Equity upto 50%)

iii) Conservative Life Cycle Fund (with Equity upto 25%)

In case you do not choose any option out of the three above, you will be put under “Moderate Life Cycle Fund (with Equity upto 50%).

Types of Schemes available and the choices that you have are explained in details under the heading “**Types of Schemes available under NPS”** at the end of this FAQ**.** You can also further refer to PFRDA official website and NPS Trust official website i.e. www.pfrda.org.in and www.npstrust.org.in.

Q. Is there any nomination facility? What happens if the member dies before the commencement of pension?

Yes, there is a provision of nomination. The accumulated amount along with growth will be paid to the nominee.

Q. What should the employee do in case he switches his job ?

In case the employee switches his job to some other Corporate, he would simply need to shift the existing NPS account from the current Employer to the new Employer by submitting the Inter-Sector Shifting form to the new Employer.

In a scenario where the Employee leaves the current Employer and doesn’t join any other Employer but opts to start his own enterprise, the subscriber can still continue his NPS account. The subscriber will shift from Corporate model to All Citizen model by submitting the Inter-Sector Shifting form to the existing POP.

Q. What is the process of taking the Annuity payout at the time of Superannuation?

At the time of Superannuation, the employee needs to login in to his NPS account and proceed for exit.

A form will be generated which the employee will fill-in and upload with required documents. This is to be successfully submitted electronically with E-sign/OTP authentication. He will opt for annuity as per his requirement.

The employees can check the prevailing annuity rates and the annuity options given by the empaneled Annuity Service Providers on the given link of the CRA (https://cra-nsdl.com/CRAOnline/aspQuote.html). This will assist them in choosing the best option available.

Q. What are the different Options available at the time of Retirement?

The Retiring Employees has option to choose the following at the time of retirement i.e at 60 years:

- **(A) Close NPS account and opt for Normal Withdrawal**
- **(B) Opt for Deferment (of annuity or withdrawal or both):**
  - (i) If only Annuity is deferred, it can be deferred till the age of 75 years.
  - (ii) If only Withdrawal is deferred, it can be deferred till the age of 75 years.
  - (iii) If deferment of both annuity and withdrawal is opted, it can be deferred till the age of 75 years
- **(C) Opt for Continuation of account at the time of retirement**: In such a scenario, account can be continued till 75 years and, if required, can be closed anytime before 75 years of age, as per the wish of account holder.

Option once chosen cannot be changed later on.

Q. What is Tier I and Tier II Account in NPS? How they do differ from each other?

Under NPS, there are two types of accounts – Tier I & Tier II.

Tier-I is Non-withdrawable Individual Pension Account. It is the default pension account having all the tax incentives under Income Tax Act. Withdrawals from Tier I Account i.e. Pension Account before the age of superannuation is possible only in special circumstances and that too at the maximum of 25% of Self Contribution.

Tier-II is an optional investment account available to a subscriber having an active Tier-I account. This account has no withdrawal restrictions and tax benefits. Tier-II is not a Pension Account. The PRAN number for both the accounts will remain the same.

A comparison between the two are as under:

Tier – I	Tier - II
Individual Pension Account	Optional Account – Require an active Tier – I
Exit/withdrawal as per rules/regulations only	Unrestricted Withdrawals
Min. Contribution Rs.500/-	Minimum Contribution to open Rs.1000/-
Min. Contribution per Year Rs.1000/-	Min. Contribution per Year Rs.250/-
Tax benefits are available	No tax benefits on contribution/gains
Any Citizen aged between 18-70 eligible	NRIs/OCIs are not eligible

Choose any Pension Fund/Investment Pattern	Choose any Pension Fund/Investment Pattern*

*Subscriber can select different Pension Fund and Investment Option for his/her NPS Tier I and Tier II accounts

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What are the types of Schemes available under NPS?

Types of Schemes available under NPS for the subscribers, can be divided into two Parts.

i) Schemes available for Government Sector Employees
ii) Schemes available for subscribers under Private Sector (All Citizens model)

Schemes available for Government Sector Employees with effect from 1st April, 2019

1. **Default Choice**

For Government Sector Employees, the default choice has an asset allocation pattern of up to 15% in Equity and the rest in Debt Securities. The detailed Asset allocation pattern for this default choice is as under:

Asset Class	Cap on Investment
Government Securities & Related Investments	Upto 55%
Debt Instruments & Related Investments	Upto 45%
Equity & Related investments	Upto 15%
Asset Backed, Trust Structured etc.	Upto 5%
Short Term Debt Instruments i.e. money market instruments	Upto 10%

This Asset Allocation Pattern is also applicable to Corporate CG Scheme, NPS Lite Scheme i.e. NPS Swavalamban Yojana and Atal Pension Yojana (APY)

In addition to the above, the Government Employees have been given two more choices of Investment Pattern w.e.f. 01st April, 2019 and they are:

2. 100% Government Securities Scheme (Scheme G) : Government Employees who prefer a fixed return with minimum amount of Risk are given an option to invest 100% of their funds in Government Securities i.e. Scheme G
3. Government Employees who prefer higher returns are given the option of choosing any one of the two Life Cycle based schemes i.e. Conservative Life Cycle Fund with maximum exposure of Equity capped at 25% (LC-25) OR Moderate Life Cycle Fund with maximum exposure of equity capped at 50% (LC 50).

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

Further, the Central Government Employees NPS Subscribers have been given yet another choice from 17th August, 2020 and that is NPS Tier II Tax Savings Scheme (NPS-TTS) – Optional A/C with 80 C benefits.

This NPS-TTS is a composite scheme with the following investment limits:

Asset Class	Limits
Equity	10% - 25%
Debt	0% - 90%
Cash/Money Market/Liquid MFs	0% - 5%

This Scheme will have a lock in period of 3 years from the date of unitization of contributions by CRA.

Further details of the scheme may be accessed from the official website of Pension Fund Regulatory & Development Authority and NPS Trust i.e. www.pfrda.org.in and www.npstrust.org.in.

<u>Schemes Available to Subscribers under Private Sector (All Citizens Model)</u>

Under Private Sector, the subscribers have two choices; **<u>Active Choice</u>** and **<u>Auto Choice</u>**
The Active Choice offers flexibility to subscribers to decide the asset allocation between the 4 asset classes namely Equity (E), Corporate Bonds (C), Government Securities (G) and Alternate Assets (A). The subscribers can choose their asset allocation pattern subject to the following limits under Active Choice.

Asset Class	Max Exposure Limit
Equity (E)	Up to 75%
Corporate Bonds (C)	Up to 100%
Government Securities (G)	Up to 100%
Alternate Assets (A)	Up to 5%

They also have the freedom to change their asset allocation pattern 4 times in a year.

The subscribers who do not want to choose their asset allocation pattern, can go for Auto Choice where they have choice of three Life Cycle Funds vis a vis Aggressive Life Cycle Fund (LC-75), Moderate Life Cycle Fund (LC-50) and Conservative Life Cycle Fund (LC-25). The asset allocation pattern under these Life Cycle Funds keeps on changing based on their age. The Asset allocation pattern under these Life Cycle Funds are as under:

Asset Allocation Pattern under Auto Choice

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 & above	15	10	75	10	10	80	5	5	90

Even under Auto Choice, if the subscriber does not make any choice between Life Cycle Funds then the asset allocation would be as per the Moderate Life Cycle Fund (LC-50).

Further details of the same may be accessed from the official website of Pension Fund Regulatory & Development Authority and NPS Trust i.e. www.pfrda.org.in and www.npstrust.org.in.

The funds are invested in accordance with PFRDA guidelines and the Investment Prudential Norms laid down by the Board of Directors of the company with the objective of optimizing returns.

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