

National Pension Scheme (NPS)

Overview

NPS is an easily accessible, low cost, tax-efficient, flexible and portable retirement savings account. Under the 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 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 Central Government has introduced the National Pension System (NPS) with effect from January 01, 2004 (except for armed forces).
- NPS is available to all Indian citizens from 1st May 2009 on a voluntary basis.
- NPS-Corporate Sector Model is available through POP from December 2011.

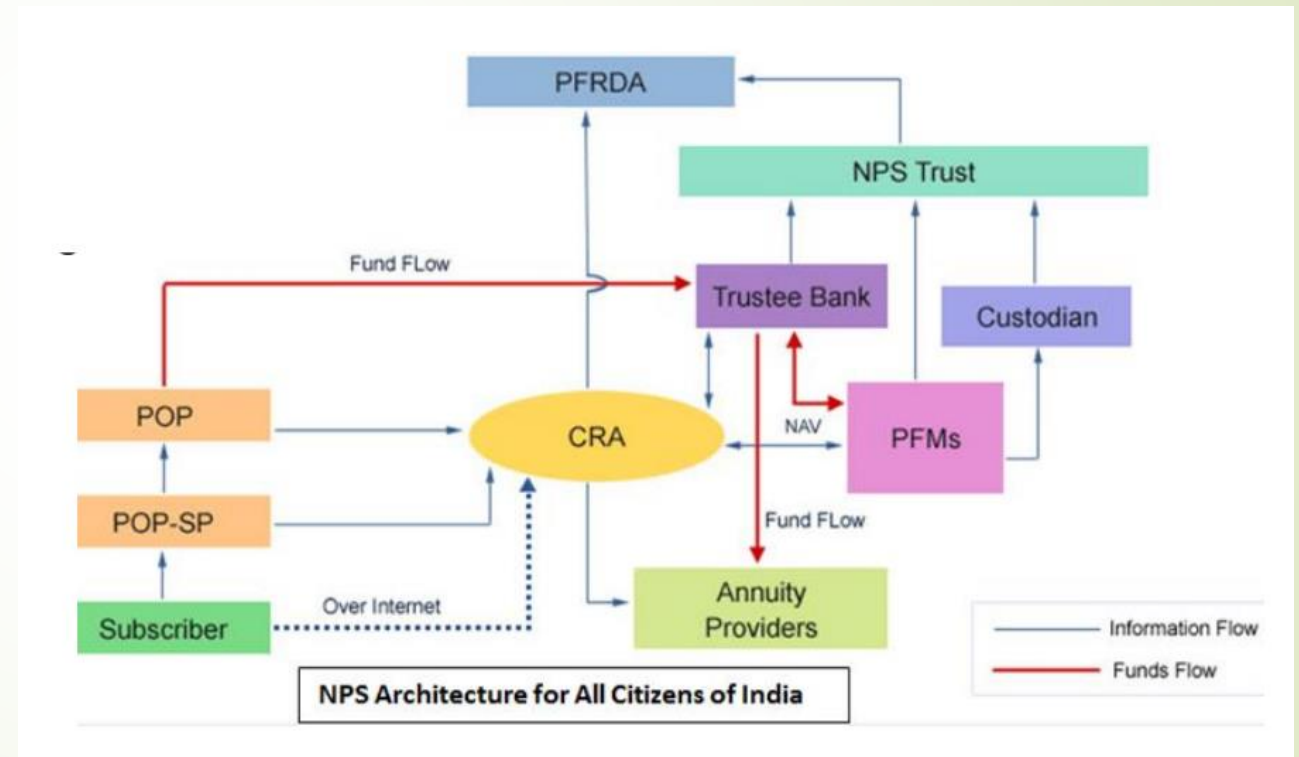
Eligibility Criteria:

- Citizen of India; Resident or Non-Resident, Other than citizen of India.
- Age between 18-70 years, as on date of joining.
- Salaried, Self Employed and others.



NPS Architecture

- ▶ Pension Fund Regulatory and Development Authority(PFRDA)
- ▶ Central Record Keeping Agency (CRA) – NSDL & K-fintech
- ▶ NPS Trust & Trustee Bank
- ▶ Pension Fund Managers
- ▶ Custodian – Stock Holding Corporation of India
- ▶ Point of Presence (POP)
- ▶ Subscriber



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.



Benefits

- Retirement Planning & Investment with attractive Market Linked Returns
- Regulated by PFRDA, It's Safe, Secure, Low cost & Transparent
- Freedom to choose your Pension Fund Manager and Asset Allocation
- Exclusive Tax Benefit up to Rs. 50,000 u/s 80CCD(1B)
- Portability: Change your Fund Manager, Asset allocation, location or employment, your PRAN will remain the same
- Online Login: Manage your account online <https://cra-nsdl.com/CRA/>
- Choose your own contribution: Contributions can vary each year so contribute as per your ease



Exclusive Tax Benefits

- ▶ NPS is covered under the Income Tax Act, 1961 for tax benefits.
- ▶ NPS is under 'Exempt-Exempt-Exempt' (EEE) category.
- ▶ Employer Contribution
Deduction of up to 10% of salary (Basic + DA) from taxable income u/s 80 CCD(2).* This is over and above the limits u/s 80 CCE
- ▶ Employee Contribution
Deduction of up to 10% of salary (basic+ DA) within the overall ceiling of Rs. 1.50 Lakh u/s 80 CCE
- ▶ Voluntary Contribution
Deduction of up to Rs. 50,000 u/s 80 CCD(1B) from taxable income for additional contribution to NPS

*Subject to a cap of Rs. 7.5 Lakhs for exemption claimed under EPF, Superannuation and NPS



Illustration of Exclusive Tax Benefits

Head	Particulars	Without NPS	With NPS
Salary	Basic (40% of Gross)	6,00,000.00	6,00,000.00
	HRA (50% of Basic)	3,00,000.00	3,00,000.00
	Flexi / Professional Allowance	4,99,140.00	4,39,140.00
	Corporate Contribution – EPF	72,000.00	72,000.00
	Corporate Contribution – Gratuity	28,860.00	28,860.00
	Corporate Contribution - NPS (10% of Basic)	-	60,000.00
Gross Salary		15,00,000.00	15,00,000.00
Deductions	80CCE	150,000.00	150,000.00
	Corporate Contribution – PF	72,000.00	72,000.00
	Corporate Contribution – Gratuity	28,860.00	28,860.00
	Corporate Contribution - NPS (80CCD (2))	-	60,000.00
	Individual Contribution to NPS (80CCD (1B))	-	50,000.00
Gross Deductions		2,50,860.00	3,10,860.00
Taxable Salary		12,49,140.00	11,89,140.00
Change in Taxable Salary			1,10,000.00
Tax Saved @ 30%			33,000.00



Key Features of NPS

- Financial and non-financial transactions; SMS alert for each contribution.
- Pattern/ MPIN based login in the app
- View status and download transaction statements. <https://cra-nsdl.com/CRA/>
- Direct access to Subscriber for checking NAV, current valuation.
- Grievance Management for prompt query resolution.
- Pension and Returns Calculator; View NAV of all pension fund managers as per asset class.
- View and Download e-PRAN card.
- Generate and change password.



NPS – How it works

ENTRY

- Any citizen of Indian aged 18-70 years
- Application and KYC submission
- Onboarding through Online or Physical mode

ACCUMULATION

- Regular contribution by self or employer
- Investments managed by professional Pension Funds.
- NAV based returns

EXIT

- Normal at the age of 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 3 years with conditions



Types of Account

Particulars	Tier 1 Account	Tier 2 Account
Contribution	Mix of Employee & Employer, Employee Only or Employer Only	Individuals and Employee
Withdrawals	Allowed*	Allowed
Contribution for Account Opening	₹ 500	₹ 1000*
Minimum contribution per transaction	₹ 500	₹ 250
Minimum contribution in a year	₹ 1000	₹ 250
No. of contribution can be done	Unlimited	Unlimited
Tax Benefits	Available	Not Available

*Please refer guideline for withdrawals



Options for Contributions

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' - Alternative
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 - twice a year



Pension Fund and Investment Option

Auto Choice: Option to Life Cycle (LC) Fund

Subscriber can choose from available Pension Fund Managers and Life Cycle (LC) Funds. Investment across Assets (E,C &G) is done as per the age of the employee as shown in the chart . The re-alignment of portfolio is system driven and is exercised every year on the date of birth of the Subscriber. This keeps the portfolio balanced.

Asset Allocation at the age of 35 years	Scheme E	Scheme C	Scheme G
Conservative Life cycle fund 25	25%	45%	30%
Moderate Life cycle fund 50	50%	30%	20%
Aggressive Life cycle fund 75	75%	10%	15%



Pension Fund and Investment Option

Active Choice: Option to choose Pension Fund Manager and Asset allocation
Pension Fund Managers

- ICICI Prudential Fund
- SBI Pension Fund
- LIC Pension Fund
- Kotak Mahindra Pension Fund
- UTI Retirement Solution Pension Fund
- Birla Sunlife Pension Fund
- HDFC Pension Fund
- Tata Pension Management
- Max Life Pension Management
- Axis Pension Fund

Scheme E

- Investment in predominantly equity market instrument.
- Allocation can not exceed 75%

Scheme C

- Investment in fixed income instruments other than Government Securities. Allocation can be up to 100%

Scheme G

- Investment in Government Securities. Allocation can be up to 100%

Scheme A

- Alternative Investment Funds including instruments like CMBS, MBS, REITS, AIFs etc. Allocation can not exceed 5%



Premature Exit and Withdrawals

On Completion
of
Superannuation
or maturity

40% towards
pension

60% Lump
Sum
Withdrawal

Before 60 Years

80% towards
pension

20% Lum Sum
Withdrawal

Death of
Subscriber

100 % to
Nominee(s)





Maturity Benefits

NPS will get matured once subscriber attends the age of 60* years. Subscriber gets following options at the time of maturity.

Normal Maturity

- 100% withdrawal, if fund value is less than or equal to INR 5 lakhs.
- If fund value is more than INR 5 lakh.
 - 60% of fund value can be withdrawn in lump sum or in equal installments.
 - Minimum 40% of fund has to be used for purchasing annuity.

Extension of Scheme

- Subscriber can extend his NPS up to the age of 75 years.

Defer Annuity/pension

- Subscriber can defer the decision to invest in Annuity for 3 years.



Annuity Service Providers (ASP)

- 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"



NPS Pension Calculator

With the help of this NPS calculator you will be able to know how much Pension and lump sum amount you will get when you retire at the age of 60. This will help to decide your monthly contribution towards NPS. Just need to mention DOB & Amount of Monthly contribution and it will get you Fund value and Pension per month.

<https://npstrust.org.in/content/pension-calculator>





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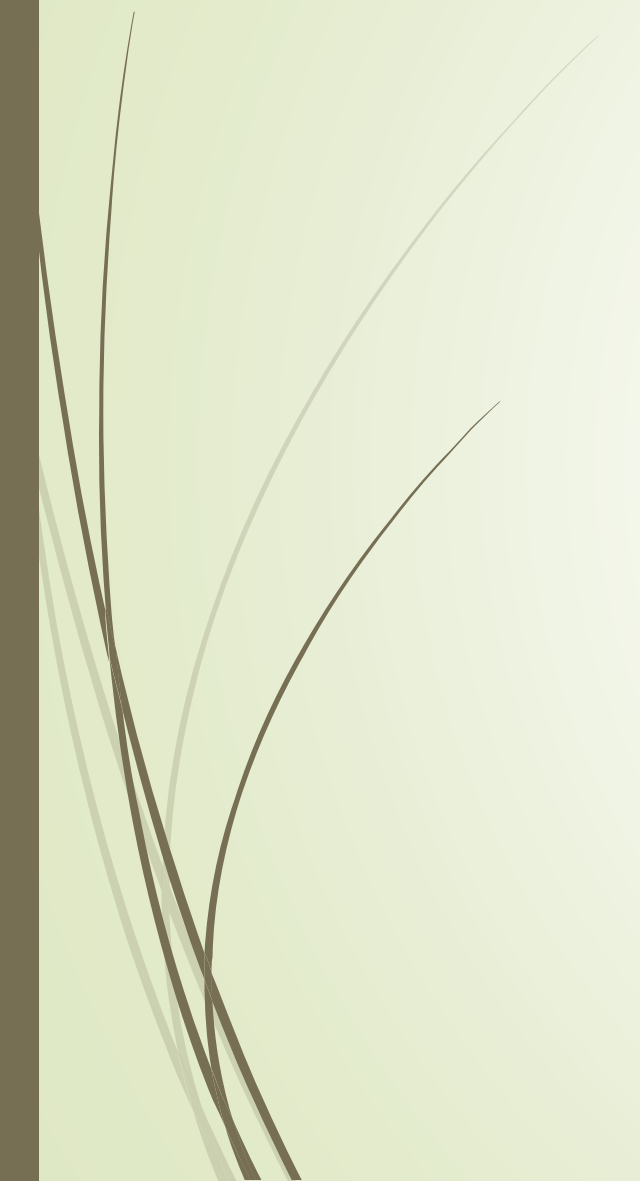


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