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Welcome

to the New Pension System



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NPS

Pension nahi yeh Pran hai

Glossary

PFRDA	Pension Fund Regulatory and Development Authority
NPS	New Pension System
CRA	Central Recordkeeping Agency
PRA	Permanent Retirement Account
PRAN	Permanent Retirement Account Number
PFM	Pension Funds/Pension Fund Managers
ASP	Annuity Service Provider
TB	Trustee Bank
POP	Point of Presence
POP-SP	Point of Presence – Service Provider (Authorised branches of POP for NPS)
NRA	Normal Retirement Age
DC	Defined Contribution
PF	Pension Fund
KYC	Know your Customer
INR	Indian Rupees
GRM	Grievance Redressal Mechanism
CGMS	Central Grievance Management System
GRC	Grievance Redressal Cell

New Pension System (NPS)

NPS, regulated by PFRDA, is an important milestone in the development of a sustainable and efficient voluntary defined contribution pension system in India. It has the following broad objectives:

- To provide old age income
- Reasonable market based returns over the long term
- Extending old age security coverage to all citizens

Welcome to the New Pension System

NPS offers the following important features to help you save for retirement:

- You will be allotted a unique Permanent Retirement Account Number (PRAN). This unique account number will remain the same for the rest of your life. You will be able to use this account and this unique PRAN from any location in India.
- PRAN will provide access to two personal accounts:

- **Tier-I pension account:** You will contribute your savings for retirement into this non-withdrawable account.

- **Tier-II savings account:** This is simply a voluntary savings facility. You will be free to withdraw your savings from this account whenever you wish.

Tier-I account is available from 1st May 2009. The date of operationalisation of Tier II account shall be notified by PFRDA shortly.

Under NPS, how your money is invested will depend upon your own choice. NPS offers you a number of fund managers (six) and multiple investment options (three) to choose from. In case you do not want to exercise a choice as regards asset allocation, your money will be invested as per the "Auto Choice" option.

You can open an NPS account with authorized branches of service providers called 'Points of Presence' (POP). You have the option to shift from one branch to another branch of a POP at your convenience.

The tax benefits under NPS will be as per the provisions of the Income Tax Act, 1961 as amended from time to time.



Key stakeholders of the New Pension System

Points of Presence (POP):

Points of Presence (POP) are the first points of interaction of the NPS subscriber with the NPS architecture. The authorized branches of a POP, called Point of Presence Service Providers (POP-SPs), will act as collection points and extend a number of customer services to NPS subscribers.

Central Recordkeeping Agency (CRA):

The recordkeeping, administration and customer service functions for all subscribers of the NPS are being handled by the National Securities Depository Limited (NSDL), which is acting as the Central Recordkeeper for the NPS.

Pension Funds (PFs)/Pension Fund Managers (PFMs):

The six Pension Funds (PFs) appointed by PFRDA would manage your retirement savings under the NPS.

Trustee Bank:

The Trustee Bank appointed under NPS shall facilitate fund transfers across various entities of the NPS system viz. PFMs, ASPs, Subscribers etc. Bank of India (BoI) has been appointed as the Trustee Bank.

Annuity Service Provider (ASP):

ASPs would be responsible for delivering a regular monthly pension to you after your exit from the NPS.

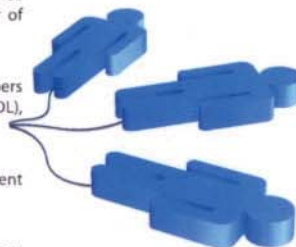
NPS Trust:

A Trust, appointed under the Indian Trusts Act, 1882 is responsible for taking care of the funds under the NPS in the best interests of subscribers.

Pension Fund Regulatory and Development Authority (PFRDA):

An autonomous body set up by the Government of India to develop and regulate the pension market in India.

To get the most out of the NPS, you need to make several important decisions about your account. This booklet will help you get started. **To learn more about the NPS, please ask your nearest POP-SP for a copy of the detailed features of the NPS, or download one from the PFRDA web site (www.pfrda.org.in).** The forms and publications referred to in this booklet can be obtained from the web site or your nearest POP-SP.



Getting Started

You can enroll in the NPS at any time if you are a citizen of India and at least 18 years of age; no entry is, however, allowed after 55 years of age. You should take advantage of compounding of your wealth by starting right away. The earlier you start, the greater will be the growth of your pension wealth.

To enroll in the NPS, submit the Registration Form (UOS-S1) to the POP-SP of your choice. The form is available from POP-SPs and the PFRDA web site (www.pfrda.org.in).

After your account is opened, CRA shall mail you a "Welcome Kit" containing your Permanent Retirement Account Number (PRAN) and other details relating to your account. Your PRAN will be the primary means of identifying your account.

You shall also separately receive a Telephone Password (TPIN) which you will need to access your account on the **NPS toll free telephone number (1-800-222080)**. You will also be given an Internet Password (IPIN) for accessing your account on the CRA Website (www.npscra.nsdl.co.in).

You are required to make your first contribution at the time of applying for registration at any POP-SP. You are required to make contributions subject to the following conditions:

- Minimum amount per contribution - Rs. 500
- Minimum contribution per year - Rs. 6,000
- Minimum number of contributions - 04 per year

Over and above the mandated limit of a minimum of 4 contributions, you may decide on the frequency of the contributions across the year as per your convenience.



Avail Benefits at a Low Cost

NPS offers Indian citizens a low cost option for planning their retirement. A 0.0009%* fee (based on assets under management) for managing your wealth, makes pension funds under NPS perhaps the world's lowest cost money managers. Following are the charges under NPS:

Intermediary	Charge Head	Service Charges ¹	Method of Deduction
CRA	PRA Opening charges	Rs. 50	Through cancellation of units
	Annual PRA Maintenance cost per account	Rs. 350 ¹	
	Charge per transaction	Rs. 10 ¹	
POP (Maximum Permissible Charge for each subscriber)	Initial subscriber registration and contribution upload	Rs. 40	To be collected upfront
	Any subsequent transactions ²	Rs. 20	
Trustee Bank	Per transaction emanating from RBI location	Zero	Through NAV deduction
	Per transaction emanating from a non-RBI location ⁴	Rs.15	
Custodian ⁵ (On asset value in custody)	Asset Servicing charges	0.0075% p.a for Electronic segment & 0.05% p.a. for Physical segment	Through NAV deduction
PFM charges	Investment Management Fee ³	0.0009% p.a.	Through NAV deduction

*Service tax and other levies, as applicable, will be levied as per the existing tax laws.

1 When the number of accounts in CRA reaches 10 lakh the service charges, exclusive of Service Tax and other taxes as applicable will be reduced to Rs. 280 (Rupees two hundred and eighty only) for annual PRA maintenance per account and Rs. 6 (Rupees six only) for charges per transaction. Further, when the number of accounts in CRA reaches 30 lakh the service charges, exclusive of Service Tax and other taxes as applicable, will be reduced further to Rs 250 (Rupees two hundred and fifty only) for annual PRA maintenance per account and Rs. 4 (Rupees four only) for charges per transaction. CRA's charge for maintenance of your permanent retirement would include charges for maintenance of electronic information of the balances in your PRA, for incorporating changes to PRA details received by the CRA in electronic form, for sending annual account information once a year in printed form etc.

2 These include

1. Regular subscriber's contribution.
2. Change in subscriber details.
3. Change of investment scheme/fund manager
4. Processing of withdrawal request
5. Processing of request for subscriber shifting
6. Issuance of printed Account statement.
7. Any other subscriber services as may be prescribed by PFRDA

3 The Investment Management Fee is inclusive of all transaction related charges such as brokerage, transaction cost etc. except custodian charges and applicable taxes. The Investment Management Fee is calculated on the average monthly assets managed by the pension fund.

4 Trustee Bank charges are not charged to subscriber directly. Transaction refers to the entire chain of activities starting from receipt of electronic instructions/ receipt of physical instrument to transfer of funds to the designated PFMs. On the outflow side, it would include all activities leading to credit of beneficiary account.

5 Charges for Demat/Remat, Receipt of shares & SEBI charges are extra.

Investing in the NPS

The NPS offers you two approaches to invest in your account:

- Active choice - Individual Funds (E, C and G Asset classes)
- Auto choice - Lifecycle Fund

Active choice - Individual Funds

You will have the option to actively decide as to how your NPS pension wealth is to be invested in the following three options:

E - "High return, High risk" - investments in predominantly equity market instruments.

C - "Medium return, Medium risk" - investments in predominantly fixed income bearing instruments.

G - "Low return, Low risk" - investments in purely fixed income instruments.

You can choose to invest your entire pension wealth in C or G asset classes and upto a maximum of 50% in equity (Asset class E). You can also distribute your pension wealth across E, C and G asset classes, subject to such conditions as may be prescribed by PFRDA. **In case you decide to actively exercise your choice about investment options, you shall be required to mandatorily indicate your choice of Pension Fund from among the six Pension Funds appointed by PFRDA.**

Auto choice - Lifecycle Fund

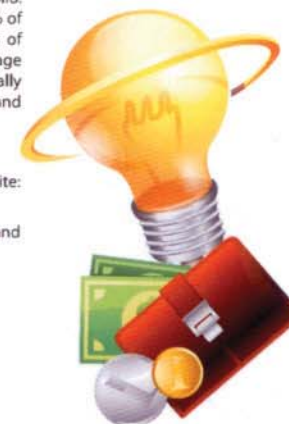
NPS offers an easy option for those participants who do not have the required knowledge to manage their NPS investments. In case you are unable/unwilling to exercise any choice, your funds will be invested in accordance with the Auto Choice option.

In this option, the investments will be made in a life-cycle fund. Here, the fraction of funds invested across three asset classes will be determined by a pre-defined portfolio. At the lowest age of entry (18 years), the auto choice will entail investment of 50% of pension wealth in "E" Class, 30% in "C" Class and 20% in "G" Class. These ratios of investment will remain fixed for all contributions until the participant reaches the age of 36. From age 36 onwards, the weight in "E" and "C" asset class will decrease annually and the weight in "G" class will increase annually till it reaches 10% in "E", 10% in "C" and 80% in "G" class at age 55.

Like the active choice subscriber must choose one PFM under auto choice.

(Detailed information about Auto choice is available on the PFRDA web site: www.pfrda.org.in)

Visit the PFRDA web site (www.pfrda.org.in) for detailed fund descriptions and information on fund performance.



Active choice

While exercising an Active Choice, remember that your investment allocation is one of the most important factors affecting the growth of your pension wealth. If you prefer this "hands-on" approach, keep the following points in mind:

- Consider both risk and return. The E Asset class has higher potential returns than the G asset class, but it also carries the risk of investment losses. Investing entirely in the G asset class may not give you high returns but is a safer option.
- You can reduce your overall risk by diversifying your account. The three individual asset classes offer a broad range of investment options, its good not to put "all your eggs in one basket."
- The amount of risk you can sustain depends upon your investment time horizon. The more time you have before you need to withdraw from your account, the more is the risk you can take. (This is because early losses can be offset by later gains.)
- Periodically review your investment choices. Check the distribution of your account balance among the funds to make sure that the mix you chose is still appropriate for your situation. If not, rebalance your account to get the allocation you want.

Net Asset Value (NAV) will be released on a regular basis so that investors may be able to take informed decisions.

The subscriber will initially be allowed only one scheme preference/switch request in May of each year. The first window for switching/scheme preference changes shall accordingly be made available in May 2010. This provision shall continue subject to such directions as may be issued by PFRDA from time to time.

Neither the Active Choice nor the Auto Choice provide assured returns.

Getting Your Money Out

Vesting Criteria	Benefit
At any point in time before 60 years of age	You would be required to invest at least 80% of the pension wealth to purchase a life annuity from any IRDA – regulated life insurance company. Rest 20% of the pension wealth may be withdrawn as lump sum.
On attaining the age of 60 years and upto 70 years of age	At exit you would be required to invest minimum 40 % of your accumulated savings (pension wealth) to purchase a life annuity from any IRDA-regulated life insurance company. You may choose to purchase an annuity for an amount greater than 40 %. The remaining pension wealth can either be withdrawn in a lump sum on attaining the age of 60 or in a phased manner, between age 60 and 70, at the option of the subscriber.
Death due to any cause	In such an unfortunate event, option will be available to the nominee to receive 100% of the NPS pension wealth in lump sum.

Tax benefits would be available as per the Income Tax Act 1961 as amended from time to time.

Power of Choice

NPS allows you to choose from any one of the following six entities (in alphabetical order) to manage your pension fund:

- ICICI Prudential Pension Funds Management Company Limited
- IDFC Pension Fund Management Company Limited
- Kotak Mahindra Pension Fund Limited
- Reliance Capital Pension Fund Limited
- SBI Pension Funds Private Limited
- UTI Retirement Solutions Limited

You shall have the first opportunity to switch from one Pension Fund to another Pension Fund commencing April 2010.

You may also choose any one service provider from the following entities (in alphabetical order) appointed as Points of Presence (POP):

- Allahabad Bank
- Axis Bank Ltd.
- Central Bank of India
- Citibank N.A.
- Computer Age Management Services Private Limited
- ICICI Bank Ltd.
- IDBI Bank Ltd.
- IL&FS Securities Services Ltd.
- Kotak Mahindra Bank Ltd.
- LIC of India
- Oriental Bank of Commerce
- Reliance Capital Ltd.
- State Bank of Bikaner & Jaipur
- State Bank of Hyderabad
- State Bank of India
- State Bank of Indore
- State Bank of Mysore
- State Bank of Patiala
- State Bank of Travancore
- The South Indian Bank Ltd.
- Union Bank of India
- UTI Asset Management Company Ltd

Visit PFRDA Website for details in case you wish to switch from one POP/POP – SP to another.

Grievance Redressal

NPS has a multi-layered Grievance Redressal Mechanism which is easily accessible, simple, quick, fair, responsive and effective.

You have the option of registering a grievance/complaint through the following alternatives:

- **Call Centre/Interactive Voice Response System (IVR)**

You can contact the CRA call centre at toll free telephone number 1-800-222080 and register the grievance. You will have to authenticate yourself through the use of T-PIN allotted to you at the time of opening a Permanent Retirement Account under the NPS. On successful registration of your grievance, a token number will be allotted by the Customer Care representative for any future reference.

- **Web based interface**

You can register the grievance at the website www.npskra.nsdl.co.in with the use of the I-PIN allotted to you at the time of opening a Permanent Retirement Account. On successful registration, a token number will be displayed on the screen for future reference.

- **Physical forms**

You can submit the grievance in a prescribed format to the POP-SP who would forward it to CRA Central Grievance Management System (CGMS). You will have to mention your PRAN as the means of authentication. Upon submission of form with the POP-SP, you will get an acknowledgement receipt. The token number would be emailed to you (if the email id is mentioned), otherwise the same will be emailed to the concerned POP-SP. You can get the token number from the POP-SP upon presentation of the acknowledgement receipt.

How to check the status of the Grievance?

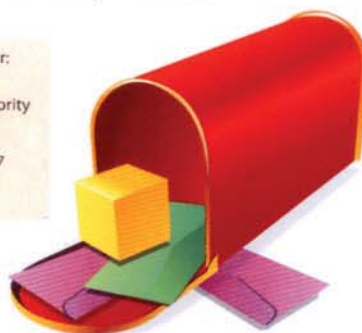
You can check the status of the grievance at the CRA website www.npskra.nsdl.co.in or through the Call Centre by mentioning the token number. You can also raise a reminder through any one of the modes mentioned above by specifying the original token number issued.

If you do not receive any response within 30 days or are not satisfied with the resolution by CRA, you can apply to the Grievance Redressal Cell (GRC) of PFRDA.

Grievances received by the GRC directly from the subscribers only shall be entertained. GRC shall not entertain any complaints written on behalf of the subscribers by advocates, agents or third parties unless formally authorized by the subscriber.

Complete address of the GRC of PFRDA is as under:

Grievance Redressal Cell
Pension Fund Regulatory and Development Authority
1st Floor, ICADR Building, Plot No 6, Vasant Kunj,
Institutional Area, Phase - II, New Delhi - 110070
Tel no - 011 26897948-49, Fax no - 011 26892417
Email : grcpfrda@gmail.com
Web site: www.pfrda.org.in



FAQs

General

1. **Who shall be responsible for protecting my interests as a NPS subscriber?**
 - A. PFRDA is the Regulator for the NPS and will endeavour to protect the interests of the subscribers through prudential norms of investments etc.
2. **What is the process for enrolling in NPS?**
 - A. If you are an individual between ages 18 to 55 years:
 - i. You would be required to go to your nearest POP-SP.
 - ii. You need to duly fill in the subscriber registration form and attach the prescribed documents before submitting it to the authorized person at the POP-SP (The list of POP-SPs shall be available at the PFRDA website www.pfrda.org.in and the website of the concerned POP).
 - iii. Upon registration, you shall receive the PRAN from CRA.
 - iv. Thereon, **you can make minimum contributions of INR 500 per transaction and INR 6,000 per year.** There is no limit on the maximum amount that you can contribute in a year or the maximum number of contributions that you may make during the year (**The minimum number of contributions is four**).
3. **What will happen if I relocate to another city or country?**
 - A. The PRAN shall remain the same and you shall be able to access your Permanent Retirement Account from anywhere in India, based on the I-PIN sent to you by the CRA. The details of your PRAN and the Statement Of Transaction (SOT) shall be available on the CRA website www.npskra.nsdl.co.in on a 24X7 basis.
4. **Would my personal information be held confidential?**
 - A. Your personal information shall not be disclosed to a third party (outside NPS) without your expressed or implied consent. The information will be used internally or for creating awareness (telephonic/written) of new services of NPS. However, there are some exceptions, viz. disclosure of information under compulsion of law, where there is a duty to the public to disclose and where the interest of the NPS requires disclosure.
5. **Under what circumstances can my account be closed before attaining NRA?**
 - A. Your account would be closed under various circumstances, such as:
 - i. Death
 - ii. Account value reduces to zero
 - iii. Citizenship status is changed

Normal Retirement Age

6. **Can I exit before attaining the age of 60 years?**
 - A. Yes, you can exit the system before attaining the age of 60 years provided you annuitize at least 80% of your pension corpus.
7. **Can I be a part of the system after attaining the age of 70 years?**
 - A. No, you have to compulsorily withdraw from the system on or before attaining the age of 70 years.
8. **What if I don't exit the system at or before 70 years?**
 - A. If you don't request withdrawal before age 70 years, then on attaining age 70 years, your account would be closed with the benefits transferred to you.
9. **Can I exit the system in phases over the age band of 60 to 70 years?**
 - A. Yes, phased withdrawal is allowed subject to certain conditions. Please refer to the "Benefits" section.



10. Can the maximum age of exit from NPS (presently 70 years) change after I join the system?

A. The age of exit may be reviewed by PFRDA from time to time.

Contributions

11. How many times can I make contributions during the year?

A. There is no upper limit on the number of times the contributions can be made in a year. However, the minimum number of contributions required to be made in a year is four. Also there is no upper limit on the amount that can be contributed during a year.

12. Can I make contributions of less than INR 500 at a time?

A. No, contributions of less than INR 500 shall not be accepted.

13. Can someone else make contributions on my behalf?

A. Yes, someone else may make contributions on your behalf.

Charges and Penalty

14. What would be the penalty in case I am unable to contribute the minimum annual contribution?

A. In such an event, you would have to:

- Bear a default penalty of INR 100 per year of default and the account would become dormant.
- In order to reactivate the account, pay the minimum contributions, along with penalty due, for the period of dormancy.
- A dormant account shall be closed when the account value falls to zero.

15. Can the fee structure change?

A. Yes, the fee structure may change as decided by PFRDA from time to time.

Investments

16. Are there any investment return guarantees?

A. There are no guarantees. NPS is a defined contribution scheme and the benefits would depend upon the amounts contributed and the investment growth up to the point of exit from NPS.

17. Should I seek some professional advice before making any investment decisions?

A. You may seek professional advice to assist you in planning your finances. However, this would be your own decision and PFRDA would not be responsible for any consequences.

18. What should I consider before choosing investment options?

A. Investment options should be chosen carefully. Remember there is a trade off between risk and return. Young subscribers who enter the NPS at early age would normally be in a better position to take risks as compared to subscribers who enter the system late.

19. Who will decide the selection of Pension Fund and the investment options?

A. The choice of Pension Fund and Investment option rests with you. In case you are unable/unwilling to exercise choice regarding your investment strategy, your funds will be invested in accordance with Auto choice option. For details see section on 'Investment in the NPS'. In both active and auto choice you must choose one Pension Fund Manager.

20. Will I be permitted to select more than one Pension Fund to manage my savings?

A. You have to mandatorily select only one PFM while opting for either 'Active Choice' or 'Auto Choice'. However, PFRDA may allow the subscribers to choose more than one PFMs to manage their savings in the future.

21. Will I be permitted to change my Pension Fund preference?

A. You shall have the first opportunity to switch from one Pension Fund to another Pension Fund commencing May 2010.

22. What if I do not select any investment option?

A. All your contributions would be channelled into Auto Choice investment style, a Lifecycle fund.

23. What are the risks of investing in NPS?

A. As with every investment, there is a degree of risk under NPS also. You need to be aware that the value of your investments in NPS may rise or fall.

24. Where will my contributions be invested?

A. Your contributions shall be invested as desired by you. In case you have opted for 'Active Choice', your contributions shall be invested in E, C or G asset classes in percentage allocations as per the instructions given by you. If you have not opted for any choice or you have opted for 'Auto Choice', your contributions shall be invested in E, C or G asset classes in the percentage allocations as prescribed by PFRDA, depending on your age.

25. I am 30 years old and would like to retire at 60. I want pension of INR 2,000 per month at today's prices when I retire. How much do I need to contribute?

A. A. You would need a pension wealth of INR 319,000 (at today's prices) at age 60 to get a pension of INR 2,000 per month (at today's prices). To realise this pension wealth, you would need to contribute approximately INR 16,600 every year.
Assumptions: 2% real rate of return, NPS charges as applicable, current LIC annuity rates, 100% annuitisation of terminal pension corpus.

Benefits

26. Can I invest more than 40% of my pension wealth to purchase the annuity?

A. Yes, you may choose to invest up to 100% of your pension wealth to purchase the annuity.

27. What will happen to my savings after I retire at age 60?

A. After you retire at age 60, you shall have to compulsorily invest a minimum of 40% of your pension wealth to purchase a life annuity from an IRDA – regulated life insurance company. You may choose to purchase an annuity for an amount greater than 40 percent or else withdraw the remaining pension wealth in lump sum or in a phased manner.

28. What will happen to my savings if I decide to exit NPS before age 60?

A. You would be required to invest at least 80% of your pension wealth to purchase a life annuity from any IRDA – regulated life insurance company. The remaining 20% may be withdrawn as a lump sum.

29. Will the annuity also provide for a family (survivor) pension?

A. Yes, you will have an option of selecting an annuity which will pay a survivor pension to your spouse.

30. On my death, can my nominee continue to operate the account in my name?

A. No. The balance standing to the subscriber's account may be transferred into the nominee's account after following regular KYC procedure.

31. Can I opt not to exit in case of disability?

A. Yes, you may continue with NPS in case of disability if you so desire, till 70 years of age.

32. When will I be able to operate a Tier-II account?

A. PFRDA will shortly notify the date from which Tier-II will become operational.

33. What will be the conditions for opening a Tier-II account?

A. You would need to have an active Tier-I account to open a Tier-II account under NPS. Further details will be notified by PFRDA in due course.