

Frequently Asked Questions on National Pension System (NPS)

1. What is National Pension System (NPS)?

National Pension System (NPS) is a 'Government of India' initiative with an objective of Development of a sustainable and efficient voluntary defined contribution Pension System in India. It is regulated by Pension Fund Regulatory and Development Authority (PFRDA).

NPS provides a platform for savings to create a Retirement Corpus (Pension Wealth) through the 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.

2. Who can join NPS?

Any citizen of India, whether resident or Non-Resident between 18-65 years of age can join the NPS.

3. Why should I invest in NPS?

NPS gives you the undernoted unique advantages which will help you built the best possible retirement corpus:-

- a) **Additional Tax Deduction:** NPS provides an opportunity of extra tax savings:

Event	Taxability
Contribution in Tier-I Account	1. Employee's Contribution: Exclusive deduction of up to Rs.50,000/- from Taxable income for investment in NPS under Sec 80 CCD(1B) available in excess of Rs.1,50,000/- under Sec 80 C 2. Employer's Contribution: Deductible up to 10% of salary (Basic + DA) as additional deduction under section 80 CCD(2). It has no upper cap on the amount.
Accretion in Tier-I	Exempt
Withdrawal from Tier-I (including accretions)	1. Amount used to purchase annuity is exempt / Tax-free. 2. Retirement corpus withdrawn is also completely Tax exempted

- b) **Lower Expense Ratio:** NPS is perhaps the world's lowest cost pension scheme. The total recurring expenses inclusive of the Fund Management fee and all other handling and administrative charges would work out to be around to 0.21% p.a. The Lower Expense ratio would lead to HIGHER RETIREMENT CORPUS.
- c) **Ensures Complete Portability:** NPS account can be operated from anywhere country irrespective of employment and geography
- d) **Tax Efficient :** NPS is now 100% tax efficient. The subscriber can now withdraw the 60% of the corpus without paying any tax
- e) **Flexibility:** Subscribers have the choice to change the following details anytime in their NPS account as per their requirement-
 i) Pension Fund Managers (PFMs)
 ii) Investment mix (Asset Allocation)
 iii) Life Cycle Fund

I also have a freedom to change the PFM once in a year and the Investment Mix twice a year without charges.

4. What is the process of enrolling in NPS?

NPS Applications Forms are available with the HR.

You will be required to undergo the following steps:

- A. Fill up the NPS Application form (CSRF Form) in Black INK and submit the same to HR.
- B. Documents to be attached along with the NPS Application Form
 - (i) Affix one color photograph
 - (ii) Proof of Address (Aadhaar Card/ Bank Statement/ Voter ID/ Passport etc.)
 - (iii) Identity Proof (PAN Card/ Driving Licence/ Passport)
 - (iv) Cancel cheque leaf

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

The applicant has a choice of selecting his own Pension Fund Manager and the investment mix/ pattern.

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

You can change the Fund Manager once in a year and the investment mix/pattern (asset allocation) twice in a year.

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

A subscriber has to contribute a minimum of Rs.1,000.00 (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.

8. What will happen if I default on payment?

A minimum amount of Rs.500/- would be needed to reactivate the account. 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.

9. How can I withdraw my contributed amount?

The subscriber can exit from NPS and withdraw the accumulated pension wealth in the following manner:

For subscribers joining between 18-60 years:

- a. Upon attainment of age of 60 years:** At least 40% of the accumulated pension wealth of the subscriber needs to be utilized for purchase of an annuity providing for the monthly pension of the subscriber and the balance (60%) is paid as tax-free lump sum payment to the subscriber. If the total corpus is not exceeding Rs. 2 lacs, then the subscriber has the option to withdraw the whole corpus in lump sum.
- b. Upon Death (irrespective of cause):** The entire accumulated pension wealth (100%) would be paid to the nominee / legal heir of the subscriber and there would not be any purchase of annuity/monthly pension. The nominee, if so wishes, has the option to purchase annuity of the total corpus.
- c. 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%) is paid as a lump sum payment to the subscriber. If the total corpus is not exceeding Rs. 1 lac, then the subscriber has the option to withdraw the whole corpus in lump sum. Subscriber can exit from NPS only after completion of minimum 10 years in NPS.

Taking the example where the Subscriber has a Corpus of Rs.10,000,000 (1 Crore)		
Scenario	Annuity* (Tax free)#	Lump sum Withdrawals (Tax free)**
Normal Withdrawals on Maturity	40% of Corpus	60% of Corpus
	4,000,000	6,000,000
<p>* Minimum 40% of the corpus has to be compulsorily used for the purchase of Annuity. This can even go up to 100% ,if desired by the subscriber</p> <p># GST is waived off on Annuity purchased from the NPS corpus (normally it is 1.8% when taken directly from the Annuity Service Providers. Tax will be levied on the monthly pensions as per the applicable slab of IT rules</p> <p>** Entire withdrawals from NPS is now Tax free</p>		

For subscribers joining between 60-65 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 exit:** The subscriber exiting after completion of 3 years from the date of joining NPS. In the normal exit, the subscriber will be required to annuitize at least 40% of the corpus for purchase of annuity and the remaining corpus can be withdrawn in lump sum. In case the accumulated corpus at the time of exit is equal or less than Rs. 2 lacs, the subscriber will have the option to withdraw the entire corpus in lump sum.
- b. **Premature Exit:** Any exit before completion of 3 years will be treated as premature exit. In such case, the subscriber will be required to annuitize at least 80% of the corpus for purchase of annuity and the remaining corpus can be withdrawn in lump sum. In case the accumulated corpus at the time of exit is equal or less than Rs. 1 lac, the subscriber will have the option to withdraw the entire corpus in lump sum.
- c. **Exit due to the death of the subscriber:** The entire corpus shall be payable to the nominee of the subscriber.

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

Tax free partial withdrawals are allowed after vesting age of 3 years which is up to 25% of self contribution. One can withdraw for 3 times during entire tenure for meeting specific financial needs (children education / marriage / purchase of house/medical treatment/ skill development).

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

A member can contribute up to the age of 60 years. The Pension will start upon his Superannuation or on attainment of age 60 years. However with a simple request one can extend the contribution up to 70 yrs.

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

Before retirement, you can exercise the withdrawal option (Online or Offline) as mentioned in 9 (a).

The quantum of Pension will depend upon the Annuity plan you have opted and the Annuity Service Provider chosen from the emplaned list. For more details, visit www.npstrust.org.in

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

The returns under the NPS are not guaranteed as it will be market linked. The returns generated will depend on the investment amount, asset allocation and Fund Management opted.

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

The amount will be invested in Equities (E), Corporate Bonds (C) and Govt. Securities and as per the investment pattern/Investment mix opted by you. However, you can **NOT** opt for more than 75% in equities.

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%)

The details of the same may be accessed from following official websites:

- i. Pension Fund Regulatory & Development Authority (www.pfrda.org.in)
- ii. NPS Trust (www.npstrust.org.in.)

14. 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 corpus (invested amount and the returns generated) will be paid to the nominee on death of the subscriber.