Frequently Asked Questions on National Pension System (NPS)

Q1. 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 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.

Q2. Who can join NPS?

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

Q3. Why should I invest in NPS?

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

1. **Exclusive Income Tax Benefits for investments in NPS:**

i) An additional tax deduction on investment up to Rs. 50,000 in NPS under sub-section 80CCD (1B). This is over and above the Sec 80 C limit of Rs.1,50,000/-. *This is an exclusive tax deduction available for investment in NPS only.*

(ii) Tax deduction on account of contribution by the individual subscriber to NPS can be claimed up to 20% of salary (Basic + DA) or 10% of Annual Income under Sec 80 CCD(1), subject to overall ceiling of **Rs. 1.50 lacs u/s 80 CCE** of Income Tax Act. 1961.

(iii) Tax deduction on employer's contribution to NPS **up to 10% of salary (Basic + DA),** under Section 80 CCD(2).

However, the Budget of FY 2020-21 has put a monetary limit on the tax-exempt contribution by the Employer to NPS account, EPF & Super Annuation Fund. Accordingly, employer's contribution to EPF, NPS and Superannuation Fund exceeding more than Rs. 7.5 lakh in a financial year will be taxable in the hands of an employee

Tax benefits mentioned in point (i) & (iii) above are exclusive deduction available for investment in NPS only.

2. **A product with EEE Status (Exempt Exempt Exempt) :** In NPS 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).

3. **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 0.26% p.a. The Lower Expense ratio would lead to HIGHER RETIREMENT CORPUS.

4. **Ensures Complete Portability:** NPS account can be operated from anywhere country irrespective of employment and geography.
5. **Tax Efficient :** The Retirement Corpus used for buying Annuity (Minimum 40%) will be totally Tax-free. The rest of the withdrawals will also be Tax Free. Hence at Present it is having EEE Status.
6. **Flexibility:** Subscribers have - i) Choice of Pension Fund managers (PFMs)
   ii) Choice of Investment mix
   iii) Choice of Life Cycle Fund is also available

I also have a freedom to change the PFM once a year and the Investment Mix twice a year without any exit load.

Q4. 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".

i) Through Offline Mode

If you are an Indian Citizen (Resident/Non Resident) between the age of 18 years to 65 years, you can contact any of our branch offices / UTI Financial Centres (UFCs) and ask for NPS Applications Forms and 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 photograph on the NPS Application Form
   (ii) Proof of Address (AADHAR Card/ Bank Statement/ Voter ID/ Passport etc.)
   (iii) Identity Proof (PAN Card/ Driving Licence/ Passport)
   (iv) Cheque drawn in FAVOUR of "UTI AMC Collection Account - NPS Trust"

ii) Through Online Mode:

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

Q5. 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.

Q6. 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 twice in a year.

Q7. 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.

Q8. What will happen if I default on payment?

For every Year of default you will have to pay a penalty of Rs.100/-. This will have to be paid along with the minimum amount i.e. Rs.500/- that 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.

Q9. 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)	Rs. 200/-		To be collected upfront
	Initial Contribution and All Subsequent Contributions	0.25% of the amount deposited Minimum: Rs.20/- & Maximum: Rs.25000/-		
	Any Non Financial Transaction	Rs.20/- per Transaction		
	Persistency > 6 months & Rs 1000 contribution	Rs 50/- per annum		
	Contribution through eNPS	0.10% of contribution, Min. Rs 10, Max. Rs. 10000		
CRA Charges	CRA --->.	Karvy CRA	NSDL CRA	Through NAV Cancellation/ Deduction
	PRA Opening (One Time)	Rs. 39.36	Rs.40/-	
	PRA Maintanance (Per Annum)	Rs. 57.63	Rs.95/-	
	Per Transaction (Financial / Non Financial)	Rs.3.36	Rs.3.75	
Custodian	Asset Servicing (Per Annum)	0.0032%		
PFM	Investment Management Fee	0.05 % per Annum (approx..)		
The overall expense ratio (PoP Charges + CRA Charges+ PFM Charges+ Custodian Charges) will be about 0.26%.				

Q10. 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 70 Years.

Q11. 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 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 returns at the time of buying annuity.

Q12. 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.

Q13. 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%)

Types of Schemes available and the choices that I 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 14. How can I exit from NPS? Is there any liquidity in between? Please elaborate in details.

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

a. **Upon attainment of age of 60 years:** Minimum 40% of the accumulated pension wealth of the subscriber will be utilized for purchase of an annuity providing the monthly pension to the subscriber and the balance (60%) is paid as tax-free lump sum payment. 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 will be utilized for purchase of an annuity providing the monthly pension to the subscriber and the balance (20%) is paid as a lump sum payment. 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.

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

Taking the example where the Subscriber has a Corpus of Rs.1,00,00,000/- (1 Crore)		
Scenario	**Annuity Plan**	**Withdrawals ****
Normal Retirement	40% of Corpus *****	60% of Corpus
	40,00,000	60,00,000
Pre-Mature Retirement	80% of Corpus *	20% of Corpus
	80,00,000	20,00,000
Death of Subscriber	Nil	100% of the Corpus
		1,00,00,000
Anytime Withdrawal		25% of Self contribution can be withdrawn after 3 years for specific purposes only
* Minimum percentage of corpus to be compulsorily used for the purchase of Annuity plan, GST is waived off on Annuity plan purchased from the NPS corpus (currently it is 1.8% when taken directly from the Annuity Service Provider) Tax will be levied on the Annuity amount as per the applicable tax slab ** Entire withdrawals from NPS is now Tax free		

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

Visit following link for detailed FAQs on exit:

https://www.npscra.nsdl.co.in/all-faq-withdrawal.php

Q15. 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. He/she can however continue with the NPS in case he/she wishes to.

Q 16. 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 17. What is 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 submit electronically with E-sign. He will opt for annuity as per his requirement. Employee will take the print of this submitted form and submit to his HR along with copies of PAN, address proof and Bank account cheque leaf for further processing by the Corporate office and POP.

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.

For any assistance, the employees can write their queries to the given e-mail id: nps@uti.co.in

Q 18. 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 by 3 years.

(ii) If only Withdrawal is deferred, it can be deferred till the age of 70 years

(iii) If deferment of both annuity and withdrawal is opted, it can be deferred till the age of 70 years

(C) Opt for Continuation of account at the time of retirement: In such scenario, account can be continued till 70 years and, if required, can be closed any time before 70 years of age, as per the wish of account holder.

Option once chosen cannot be changed later on.

Q 19 What is Tier II Account in NPS? How is it different from Tier I Account?

Tier I is a Non-Withdrawable Pension Account where in all the Tax deductions benefit as explained above are available. Tier II is a savings account with no Tax Deductions available. Withdrawals from Tier I Account i.e. Pension Account is possible only in special circumstances and that too at the maximum of 25% of Self Contribution. In Tier II one can deposit and withdraw as per his needs and convenience. The PRAN number for both the accounts will remain same. One can have Tier II account only if he/she has Tier I account.

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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

Schemes Available to Subscribers under Private Sector

Under Private Sector, the subscribers have two choices; **Active Choice** and **Auto Choice**

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

Age (Years)	Cap on Equity (E)	Cap on Corp Bonds (C)	Cap on Govt Securities (G)	Cap on Alternate Assets (A)
Upto 50	75.0 %	100%	100%	5%
51	72.5 %	100%	100%	5%
52	70.0 %	100%	100%	5%
53	67.5 %	100%	100%	5%
54	65.0 %	100%	100%	5%
55	62.5 %	100%	100%	5%
56	60.0 %	100%	100%	5%
57	57.5 %	100%	100%	5%
58	55.0 %	100%	100%	5%
59	52.5 %	100%	100%	5%
60 and above	50.0 %	100%	100%	5%

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 return.