

National Pension System (NPS): Frequently asked Questions (FAQs)

1. What is NPS?

New Pension System is a voluntary contribution of funds for a sustained period of time (till the age of 60years) to enable him to draw pension after he attains 60 years of age. The Scheme has been introduced by the Government of India and monitored by the Pension Fund Regulatory and Development Authority.

2. What are the benefits of NPS?

It is basically for people who do not have the benefit of pension after retirement from service. The scheme gives an opportunity to the subscriber to build up his pension fund over a long period so that after retirement he can draw pension for his sustenance.

3. What is Tier I and Tier II ?

Tier I is the primary account which the subscriber has to open to be able to open Tier II account.

4. What is the difference between Tier I and Tier II?

While in Tier I no withdrawal can be made till the subscriber reaches 60years of age, in Tier II the subscriber can withdraw from his balance anytime he wishes to withdraw.

5. What is the minimum age and maximum age for opening an account?

The scheme is open to people between age 18 to 65 years.

6. What is the minimum contribution in a year for Tier I?

Rs. 6000/- has to be deposited by the subscriber in a year and the minimum contribution is Rs 500/- at one time.

7. What is the minimum contribution in a year for Tier II?

Rs. 2000/- has to be deposited by the subscriber in a year and the minimum contribution is Rs 250/- at one time.

8. What is the maximum amount of contribution in a year?

There is no upper limit as of now.

9. What is the minimum number of contribution in a year?
Minimum 1 transaction has to be made in a year. However there is no limit on maximum number of transactions that can be made in a year.
10. Can funds be withdrawn before attaining 60 years?
Tier-I: Funds cannot be withdrawn before attaining 60 years. However, in case of requirement the subscriber can withdraw 20% as a lump sum whereas the remaining 80% will be compulsorily is annuitized. Tier II: Funds can be withdrawn from his balance anytime he wishes to withdraw.
11. Can the full amount be withdrawn after attaining 60 years?
No. Maximum 60% can be withdrawn however the subscriber can remain invested up to 70 years of age. 40% of the total balance available at the end of contribution year will have to be annuitized. Option to annuitize 100% of the corpus is also available.
12. Is Nomination facility available?
Yes and unlike in Bank's account nominations can be made in favour of 3 persons.
13. How many nominations can be made in an account?
Three (03)
14. What is a CRA?
Central Record Keeping Agency (CRA). NSDL is acting as the CRA.
15. Whose scheme is NPS?
It is a scheme of Government of India, regulated by PFRDA.
16. Can updated statement of account be made available?
Yes
17. How can funds be contributed?
Through Cash or Cheque. However credit to account in case of cheque can only be made available on realization of the Cheque.

18. What is PRAN?

Permanent Retirement Account Number which will be given to the subscriber on opening the Tier I account and which must be quoted in every transaction just like in case of bank account.

19. Which are the pension funds managers?

There are 05 Pension Fund Managers: SBI Pension Funds Private Ltd ICICI Prudential Pension Fund Management Company Limited Kotak Mahindra Pension Fund Limited Reliance Capital Pension Fund Limited UTI Retirement Solutions Limited

20. What is the assured rate of return?

No assured rate of return as the investment will be market related.

21. What is the transaction cost to be borne by the subscriber?

Ad valorem 0.25% of the contribution amount (Minimum Rs 20+ service tax and Maximum up to Rs. 25000/-).

22. What will happen to the accumulated corpus if the subscriber dies before attainment of 60 years of age?

The entire accumulated corpus (100%) would be paid to the nominee/legal heir of the subscriber and there would not be any purchase of Annuity/Monthly Pension.

23. What is the Swavalamban Scheme?

The scheme will be applicable to all citizens in the unorganised sector who join the New Pension System (NPS) administered by the PFRDA. Under the scheme, Government will contribute Rs. 1000 per year to each NPS account opened for five years to the beneficiaries who register in the year 2010-11, 2011-12 and 2012-13 and therefore, the scheme would be extended up to the year 2016-17. The benefit will be available only to persons who join the NPS with a minimum contribution of Rs. 1,000 and maximum contribution of Rs. 12,000 per annum.

24. What are the eligibility criteria for Swavalamban Scheme?

The scheme will be applicable to all persons in the unorganised sector subject to the condition that the benefit of Central Government contribution will be available only to those persons whose contribution to NPS is minimum Rs.1,000 and maximum Rs. 12,000 per annum, for both Tier I and II taken together, provided that the person makes a minimum contribution of Rs. 1000 per annum to his Tier I NPS account.

25. What is the definition of Unorganised Sector for Swavalamban Scheme?

For the purpose of this scheme, a person will be deemed to belong to the unorganised sector if that person:

1. Is not in regular employment of the Central or a state Government or an autonomous body/ public sector undertaking of the Central or state government having employer assisted retirement benefit scheme, or

2. Is not covered by a social security scheme under any of the following laws:

- **Employees Provident Fund and Miscellaneous Provisions Act, 1952**
- **The Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948.**
- **The Seamen's Provident Fund Act, 1966**
- **The Assam Tea Plantations Provident Fund and Pension Fund Scheme Act, 1955.**
- **The Jammu and Kashmir Employees' Provident Fund Act, 1961.**

26. Who are the agencies involved in the NPS?

The various agencies in the scheme as under:

- **PFRDA (Controlling Body)**
- **Bank of India (Trustee Bank)**
- **NSDL (Central Recordkeeping Agency)**
- **Central Recordkeeping Agency Facilitation Centre (CRA- FC)viz. KARVY**
- **Point of Presence (POP) - State Bank of India is acting as one of the POPs. There are many others as well.**
- **Point of Presence- Service Provider (POP-SP) –SBI Branches.**

27. Who are the Annuity Service Providers?

The empaneled Annuity Service Providers are:

- I. Life Insurance Corporation of India**
- II. SBI Life Insurance Co. Ltd.**
- III. ICICI Prudential Life Insurance Co. Ltd**
- IV. Bajaj Allianz Life Insurance Co. Ltd.**
- V. Star Union Dai-ichi Life Insurance Co. Ltd**
- VI. Reliance Life Insurance Co. Ltd.**
- VII. HDFC Standard Life Insurance Co. Ltd.**
- VIII. Birla Sunlife Pension Management Limited**