



National Pension System for Corporate

NPS

Pension nahi yeh Pran hai

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1 ABOUT NPS

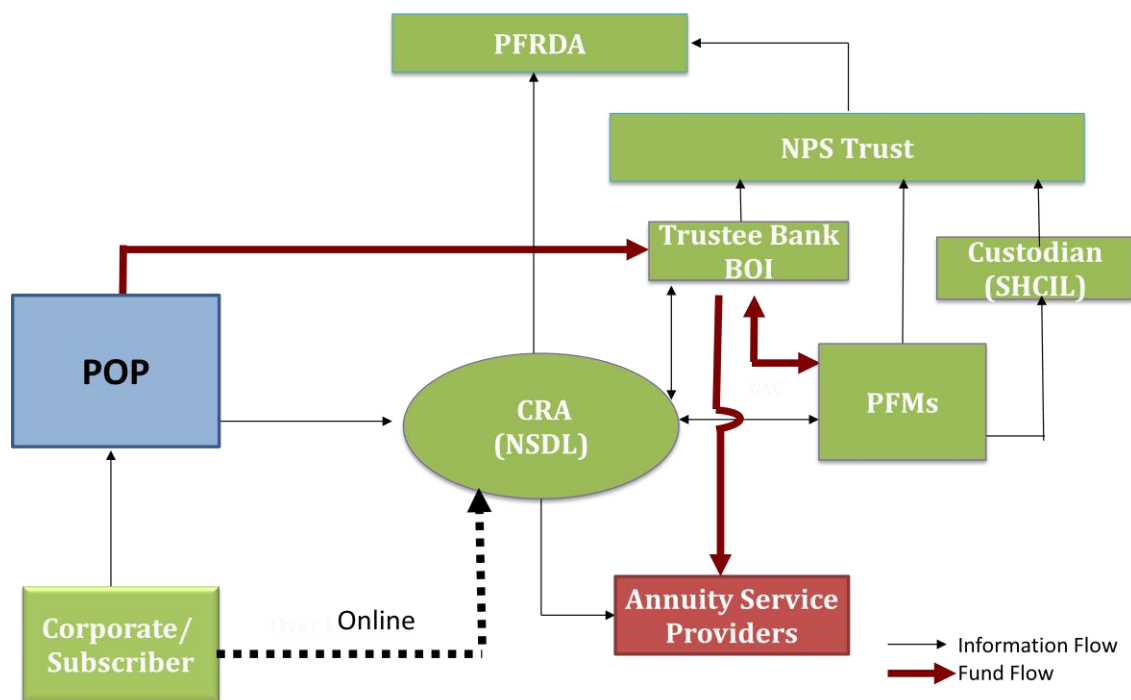
The Government of India in exercise of their executive powers adopted ‘National Pension System’ (NPS) based on defined contributions in respect of all new entrants to Central Government services, excepting the Armed Forces, with effect from 1st January 2004. Most of the State Governments have since notified a similar pension system for their new entrants.

PFRDA has also made NPS available to all citizens of India, with effect from 1st May 2009 on a voluntary basis.

In pursuance to PFRDA’s commitment to make available an avenue for saving for old age to all sections of society, PFRDA has now launched a separate model to provide NPS to the employees of corporate entities, including PSUs. This model is titled “**NPS – Corporate Sector Model**”.

2 NPS ARCHITECTURE- CORPORATE SECTOR MODEL

A pictorial depiction of the NPS architecture under corporate sector model is outlined below:



3 PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY (PFRDA)

PFRDA is the regulator for the NPS. PFRDA is responsible for appointment of various intermediaries in the system such as Central Record Keeping Agency (CRA), Pension Funds, Custodians, NPS Trustee Bank, etc. PFRDA monitors the performance of the various intermediaries. PFRDA provides regulatory guidance to the PFMs for investment of funds received under NPS. It shall also ensure that all stakeholders comply with the guidelines/regulations issued by PFRDA from time to time

4 NPS INTERMEDIARIES

NPS has unbundled Architecture, where each function is performed by different entity. NPS is the unique product which provides an opportunity for subscribers, to be serviced by intermediaries which are renowned in their area, that too at low cost, like:

- Central Record keeping functions are performed by the NSDL.
- Funds are managed by 6 funds managers from Public & Private sector with proven track record. There are three pension fund managers for Govt. sector and 6 for All Citizens Model subscribers.
- Bank of India provides Trustee Bank functions.
- More than 35 POPs with over 12000 POP-SP registered for providing NPS activities
- Stock Holding Corporation of India Ltd provides custodial services under NPS.

Central Recordkeeping Agency (CRA)

The CRA is a first of its kind venture in India and is critical to the successful operationalization of the NPS. The main functions and responsibilities of the CRA include:

- Recordkeeping, administration and customer service functions for all subscribers of the NPS.
- Issue of unique Permanent Retirement Account Number (PRAN) to each subscriber, maintaining a database of all PRANs issued and recording transactions relating to each subscriber's PRAN.
- Acting as an operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trustee Bank etc.

Central Record Keeping Agency is **National Securities Depository Limited (NSDL)**

NPS Trust & Trustee Bank (TB)

PFRDA has established the NPS Trust under Indian Trusts Act, 1882 and appointed NPS Board of Trustees under whom the administration of NPS vests under Indian Law. The Trust is responsible for taking care of funds under NPS. The Trust holds an account with Bank of India and this bank is designated as Trustee Bank.

Trustee Bank would manage the banking of pension funds in accordance with the applicable provisions of the NPS, the scheme, guidelines/notifications issued by PFRDA, Ministry of Finance and Government of India from time to time.

Trustee Bank is **Bank of India (BOI)**

Pension Fund Managers (PFMs)

Appointed PFs manages the retirement savings of the subscribers under NPS. The PFs are required to invest strictly in accordance with the guidelines issued by the Govt. of India and PFRDA.

Pension Funds Managers under Government Sector: (All Three)

- LIC Pension Fund Limited
- SBI Pension Funds Limited
- UTI Retirement Solutions Limited

Pension Funds Managers under Unorganized Sector (All Citizens Model): Any One

- 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 Limited
- UTI Retirement Solutions Limited

**Corporate may choose investment as per Government Scheme or choose any one of the PFMs under All Citizen Model or leave the option to employees for selecting PFMs for themselves. Government Investment scheme can be chosen by corporate only.

Annuity Service Provider (ASP)

ASPs would be responsible for delivering a regular monthly pension to subscribers for the rest of his/her life.

Custodian

The Custodian is responsible for the custody of underlying assets. Custodian is a SEBI registered Custodial Services provider fulfilling conditions on foreign holdings and cross-holdings as Government may prescribe.

Custodian is **Stock Holding Corporation of India (SCHIL)**

Corporate

Corporate model would be available to any of the entities under:-

- Entities registered under Companies Act,
- Entities registered under various Co-operative Acts,
- Central Public Sector Enterprises
- State Public Sector Enterprises
- Registered Partnership firm
- Registered Limited Liability Partnership (LLPs)
- Anybody incorporated under any act of Parliament or State legislature or by order of Central / State Government

Corporate may join NPS through any one of the existing POPs. This will facilitate employees working under various organizations to come on board NPS within the purview of their employer–employee relationship. Corporate may directly approach POP as an entity for all its employees to join NPS.

Corporate along with POP shall also be required to comply with the provisions of the Prevention of Money Laundering (PML) Act, 2002 and the rules framed there under, as may be applicable, from time to time.

Point of Presence (POP)

POP/POP-SP will be interface between corporate subscriber and the NPS architecture. POP-Service Providers (POP-SPs) are the designated branches of registered PoP(s) to extend the reach of NPS. PoP/POP-SP will perform the functions relating to registration of subscribers, undertaking Know Your Customer (KYC) verification, receiving contributions and instructions from corporate and transmission of the same to designated NPS intermediaries.

More than 35 POPs with over 12000 POP-SP registered. List of POP is provided in Annexure 'A'

Subscribers

The registered employees of the corporate entity enrolled by the employer will be registered as subscribers under NPS. Each Subscriber will have a separate individual pension account. If the employer as a part of the service conditions does not make choice of the PFM or scheme preference, each subscriber will be able to select a professional Pension Fund (PF) from Pension Fund Managers registered under NPS. Each PFM in this system will provide a limited number of simple, standard investment schemes with different risk and return profiles. Subscribers will have the option to switch savings between investment schemes as per the terms of employment, subject to such conditions and charges as prescribed by PFRDA from time to time.

5 DISTINCTIVE FEATURES

5.1 Salient Features of NPS

- **It is prudentially regulated:** Transparent investment norms, regular monitoring and performance review of Fund Managers by NPS Trust.
- **Low Cost:** At 0.0009% per annum as fund management fees, NPS is perhaps world's lowest cost pension scheme. Other handling and administrative charges are also the lowest.
- **Ensures Complete Portability:** NPS account can be operated from anywhere in the country irrespective of employment and geography.
- **Flexibility:** Choice of investment mix and Pension Fund managers or select Auto Option (life cycle fund) to get better returns, if option provided by the corporate.
- **Simple and Web enabled/Online:** All transactions can be tracked online through CRA system. Employer and employee can check fund and contribution status through CRA website.

5.2 Benefit to Corporate

- Platform to co-contribute for employees' pension
- Corporate may select choice of PFM for its employees or leave the option to employees for selecting PFMs for themselves.
- Can claim tax benefits for the amount contributed towards pension of employees. From 1st Apr, 2012 upto 10% of the salary (basic and dearness

allowance) of employers Contribution can be deducted as 'Business Expense' from their Profit & Loss Account

5.3 Benefit to Subscriber

- Cheapest investment product with better growth options through long term market-linked saving
- Provides choice of various funds with a flexible investment pattern
- Individual Retirement Account for record keeping at individual level ensures portability across geographies and employment.
- Platform to monitor and manage investment to meet subscriber's diverse financial goals
- Employees contribution is eligible for tax exemption as per the Income Tax Act, 1961 as amended from time to time
- Offers Tier II account which is a voluntary savings facility with anytime liquidity/withdrawal option
- Efficient grievance management through CRA Website, Call Center, Email or Postal Mail
- Routine/quarterly disclosure of the funds helps subscriber to achieve better fund management.
- Auto Choice option for those who do not have the required knowledge to manage their investment.
- Release of daily NAV by PFMs to ensure subscriber can take informed decisions.
- An option to remain invested even after your retirement.

5.4 Eligibility Criteria for Subscriber

A citizen of India, whether resident or non-resident can join NPS subject to the following conditions:

- Subscriber should be between 18 – 60 years of age as on the date of submission of his / her application.
- Subscriber should comply with the prescribed Know Your Customer (KYC) norms as detailed in the Subscriber Registration Form (CS-1 and CS-2).

Pre-existing account holders under NPS cannot join again as existing account is portable across geographies and employers.

Entity may regulate within these norms but shall not breach these norms

5.5 How can Corporate join NPS

- Corporate desirous of extending NPS to their employees would need to tie up with any of the approved PoPs under NPS through MOUs.
- Any eligible corporate entity may enroll their employees under NPS through POPs as per the existing model available for All Citizens of India. Such entities will be free to negotiate charges with PoPs where POP-SP will undertake entire data upload as per All Citizen's model.
- POP, in consultation with its corporate client shall devise in house mechanism and processes for acceptance of consolidated data and aggregated funds for upload to CRA and Trustee Bank respectively.
- The Corporate would complete the prescribed CHO-I form and submit the same to the designated PoP. Designated PoP would ensure necessary due diligence on the status of corporate and submit the form to CRA duly certified. CRA would register the corporate in the CRA system and allot entity registration number, which would be reflected in each subscriber registration form (Corp-S1)
- The designated PoP would ensure that the forms are received and subscribers registered before receipt of contributions from the corporate. Usual turn around time (TAT) as prescribed under NPS would be applicable for receipt of money.
- The PoP would be authorized to receive consolidated contribution from corporate as per their MOU and SLAs prescribed by PFRDA for PoPs would stand relaxed to this extent in this regard. PoPs may also provide consolidated acknowledgement to the corporate along with nominal roll of subscribers.
- PoP shall receive the consolidated amount from the entity with break up subscriber wise and remit funds to Trustee Banks
- CRA , Trustee Bank and other intermediaries structure shall be same as for ALL Citizens Model

5.6 Investment Choice

In NPS, a Corporate would have flexibility to provide Investment choice either at subscriber level or at the corporate level centrally for all its underlying subscribers.

Details of options available are given below:

- **OPTION 1:** Corporate option, where corporate centrally decides on behalf of all underlying subscriber

Choice I: Schemes defined for Central government employees where the funds are allocated across to three PFMs:

- LIC Pension Fund Limited
- SBI Pension Funds Limited

- UTI Retirement Solutions Limited

Current allocation is SBI (32.5%), UTI (34%), LIC (33.5%). Above allocation is reviewed periodically by PFRDA/NPS Trust based on performance. Share of each PFM in the corpus will be decided by PFRDA from time to time.

Choice II: Schemes available with All Citizens Model PFMs, as listed below

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

In this corporate would have the option to actively decide as to how investment would be done across Asset class E (upto 50%), Asset Class C, and Asset Class G. This would be applicable for all its underlying

Or

- **OPTION 2:** Subscriber can choose any one of the following six PFMs:
 - ICICI Prudential Pension Fund Management Company Limited
 - IDFC Pension Fund Management Company Limited
 - Kotak Mahindra Pension Fund Limited
 - Reliance Capital Pension Fund Limited
 - SBI Pension Funds Limited
 - UTI Retirement Solutions Limited

Subscribers can have any one of the two choices:

Active Choice: Subscriber will have the option to actively decide as to how your NPS pension wealth is to be invested across Asset class E (upto 50%), Asset Class C, and Asset Class G;

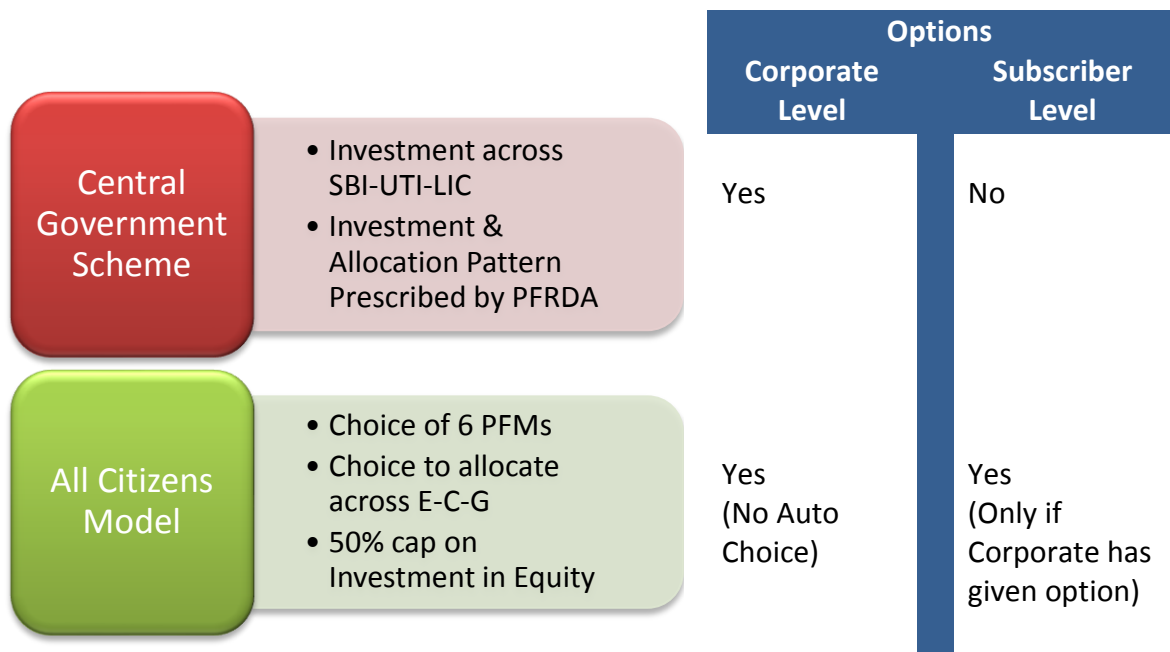
Or

Auto Choice: 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 (which would change as per age of subscriber). Table for Life cycle fund is given below.

Table for Lifecycle Fund

<u>Age</u>	<u>Asset Class E</u>	<u>Asset Class C</u>	<u>Asset Class G</u>
Up to 35 years	50%	30%	20%
36 years	48%	29%	23%
37 years	46%	28%	26%
38 years	44%	27%	29%
39 years	42%	26%	32%
40 years	40%	25%	35%
41 years	38%	24%	38%
42 years	36%	23%	41%
43 years	34%	22%	44%
44 years	32%	21%	47%
45 years	30%	20%	50%
46 years	28%	19%	53%
47 years	26%	18%	56%
48 years	24%	17%	59%
49 years	22%	16%	62%
50 years	20%	15%	65%
51 years	18%	14%	68%
52 years	16%	13%	71%
53 years	14%	12%	74%
54 years	12%	11%	77%
55 years	10%	10%	80%

Snapshot of Investment options for Corporate



5.7 Account Option

Under NPS following two types of accounts will be available:

- Tier-I account: Employer / Employee can contribute for retirement into this non-withdrawal account. Income Tax benefits as per the Income Tax Act, 1961 are available for both employer and employee contributions.
 - Tier-I charges can be borne either by Corporate or Subscriber, at the discretion of Corporate.

- Tier-II account: This is a voluntary savings facility, where the subscriber can avail Fund Management facility at very low costs. Subscriber will be free to withdraw savings from this account whenever they wish.
 - Tier-II transaction charges are same as Tier-I, however it will be borne by subscriber only.

Tier II accumulations can be switched to Tier I account but not *vice versa*

The NPS platform can handle all three variations of contributions from employer and employee:

- Equal contributions by employer and employee
- Unequal contribution by the employer and the employee
- Contribution from either the employer or the employee

5.8 Minimum Contributions (For Tier-I)

- Minimum amount per contribution - Rs 500
- Minimum contribution per year - Rs 6,000
- Minimum number of contributions -01 per year

5.9 Minimum Contributions (For Tier-II)

- Minimum amount per contribution - Rs 250
- Minimum balance of Rs. 2000/- at the end of each financial year
- Minimum number of contributions -01 per year

5.10 POP Charges

Corporate may negotiate the charge structure with POP for providing NPS services, subject to the ceiling prescribed by PFRDA. Following are the existing POP charges under NPS for All Citizens Model:-

Intermediary	Charge Head	Charges*	Method of Deduction
POP	Initial subscriber registration and contribution upload	Rs. 40	To be collected upfront
	Any subsequent transactions	Rs. 20	

5.11 Other Intermediary charges

Charges of other NPS intermediaries are as follows:-

Intermediary	Charge head	Charges*	Method of Deduction
CRA	PRA Opening charges	Rs. 50	Through cancellation of units
	Annual PRA Maintenance cost per account	Rs. 280 ¹	
	Charge per transaction	Rs. 6 ¹	
Trustee Bank	Per transaction emanating from a RBI location	zero	Through NAV deduction

Intermediary	Charge head	Charges*	Method of Deduction
	Per transaction emanating from a non-RBI location⁴	Rs. 15	
Custodian ⁵ (On asset value in custody)	Asset Servicing charges	0.0075 % per annum for Electronic segment & 0.05% p.a. for Physical segment	Through NAV deduction
PFM charges	Investment Management Fee³	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 30 lakh the service charges, exclusive of Service Tax and other taxes as applicable, will be reduced 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.

²These include

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

³The 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.

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

5.12 When can a subscriber withdraw the amount?

Vesting Criteria	Benefit
At any point in time before 60 years of Age	Subscriber 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

Vesting Criteria	Benefit
	wealth may be withdrawn as lump sum.
On attaining the Age of 60 years and upto 70 years of age	<p>At exit subscriber would be required to invest minimum 40 percent of your accumulated savings (pension wealth) to purchase a life annuity from any IRDA-regulated life insurance company.</p> <p>Subscriber may choose to purchase an annuity for an amount greater than 40 percent. 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.</p> <p>In case of phased manner subscriber has to withdraw minimum 10% of the pension wealth (lump sum amount). Any amount lying to the credit at the age of 70 should be compulsorily withdrawn in lump sum.</p>
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.

5.13 How to raise Grievance?

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

Subscriber has the option of registering grievance/complaint through the following alternatives:

- Call Centre/Interactive Voice Response System (IVR)

Subscriber can contact the CRA call centre at toll free telephone number 1-800-222080 and register the grievance. On successful registration of your grievance, a token number will be allotted by the Customer Care representative for any future reference.

- Web based interface

Subscriber can register the grievance at the website <https://cra-nsdl.com> 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

Subscriber can submit the grievance in a prescribed format to the Corporate/ POP who would forward it to CRA Central Grievance Management System (CGMS).

6 REFERENCES

Important Websites

- Pension Fund Regulatory Development Authority

www.pfrda.org.in

- Central Recordkeeping Agency

Transactional Website: <https://cra-nsdl.com>

Business Website: www.npscra.nsdl.co.in

Important Documents

- Registration Forms:

Visit www.npscra.nsdl.co.in

- Operating Guidelines & Standard Operating Procedure:

Visit www.npscra.nsdl.co.in

Toll Free Numbers

- CRA- 1800222080
- NPS Helpdesk- 1800110708

ANNEXURE 'A': LIST OF POPs REGISTERED WITH PFRDA

S. No	Name of the POP	S. No	Name of the POP
1.	Abhipra Capital Limited	19.	Reliance Capital Limited
2.	Alankit Assignments Ltd.	20.	South Indian Bank Ltd.
3.	Allahabad Bank	21.	State Bank of Bikaner and Jaipur
4.	Axis Bank	22.	State Bank of Hyderabad
5.	Bajaj Capital Ltd.	23.	State Bank of India
6.	Central Bank of India	24.	State Bank of Indore
7.	Citi Bank	25.	State Bank of Mysore
8.	Computer Age Management Services Ltd	26.	State Bank of Patiala
9.	ICICI Bank	27.	State Bank of Travancore
10.	ICICI Securities Ltd	28.	Steel City Securities Ltd
11.	IDBI Bank	29.	Stock Holding Corporation Of India Ltd
12.	IL&FS Securities & Services Ltd	30.	Syndicate Bank
13.	India Post NPS Nodal Office	31.	Union Bank of India
14.	Integrated Securities Ltd	32.	UTI Asset Management Company Ltd
15.	Kotak Mahindra Bank Ltd.	33.	UTI Technology Services Ltd.
16.	Marwadi Shares and Finance Limited	34.	Yes Bank Ltd
17.	Muthoot Finance Limited	35.	Zen Securities Limited
18.	Oriental Bank of Commerce		