

FAQ - National Pension System (NPS)

1. Q. What is NPS?

A. National Pension System is a voluntary retirement savings scheme introduced by the Government of India to promote old age income security for all citizens of India. Pension Fund Regulatory and Development Authority (PFRDA) is the establishment appointed by the Government to regulate this scheme.

2. Q. Who can join NPS?

A. Any individual between the age group of 18 to 60 years, working in the organized sector can enroll for NPS.

3. Q. Why NPS?

A. NPS is the most economical and tax efficient retirement product available in the Indian pension market. Apart from being cost effective and tax efficient the product is packed with features like portability, investment flexibility, flexibility to change the contributions. The prudential regulator of this scheme is Pension Fund Regulatory and Development Authority, an establishment appointed by the Government. All these features make NPS the best retirement scheme available for the Indian markets.

4. Q. What are the salient features of NPS corporate?

A. The salient features of NPS corporate are as follows:

- Government regulated: NPS is a government regulated pension scheme with complete transparency.
- Tax benefit: Contributions up to 10 percent of an employee's annual salary (basic + dearness allowance) is exempt from income tax under section 80CCD(2) of the Income Tax Act, 1968.
- Economical: The NPS charge structure is one of the lowest, that helps maximize retirement corpus.
- Flexible: NPS offers three fund options to suit the employee's risk appetite.
- Portable: The portability option under NPS allows an employee to carry his accumulated corpus to his new employer, if the new employer has subscribed to the NPS corporate.

5. Q. How do I enroll for NPS?

A. For enrolling to the scheme under the "Corporate Sector Model", first your Corporate registers with the PFRDA to introduce this scheme in your organization. Post corporate registration, you will have to sign up for the scheme by filling NPS Employee Registration form manually and also get the same certified by your respective HR. A set of standard Know Your Customer (KYC) documents photocopy with originals will be required to be furnished along with the hard copy of the form and your photograph. And the same needs to be handed to your POP representative for further processing.

KYC documents :

- Proof of identity

- Proof of address
- Proof for date of birth
- Copy of PAN card

Once you complete the application formalities you will be provided with a Permanent Retirement Account Number (PRAN) (TAT 20-21 days) and a login id & password to track your investments.

Benefits

6. Q. From when can I enjoy the benefits of NPS?

A. You can start to invest under NPS for corporate from the age of 18 upto 60 years. However you can start enjoying the benefits of NPS on your retirement via a lump sum withdrawal and life time pension.

7. Q. When does the scheme mature?

A. You can enjoy the benefits of this scheme post your retirement. On attaining the age of 60 years you will have to decide the commutation percent which is capped at 60 percent and the remainder of the monies have to be necessarily annuitized. You will have an option of receiving the commuted amount in a phased manner from the age of 60 till 70 years of age.

8. Q. Can I withdraw my entire retirement savings on retirement?

A. No, on attaining the age of 60 you will have to necessarily annuitize a minimum of 40 percent of your retirement savings and the remaining amount can be withdrawn as lump sum.

9. Q. What happens if I need the money before I retire?

A. Before turning 60 years you will have to annuitize a minimum of 80 percent of your retirement portfolio and the remaining amount can be withdrawn as lump sum.

10. Q. What happens to my investments on my demise?

A. In an unfortunate event of your demise your account balance may be transferred into the nominee's account after following regular KYC procedure.

11. Q. How much can I invest?

A. Under the "Corporate Sector Model" of NPS you are allowed to make tax free investments of 10% of your annual basic (plus dearness allowance, if applicable) salary.

12. Q. Under the Corporate Sector model, can I contribute beyond age 60?

A. No, currently there is no provision to contribute after age 60

13. Q. Can I make contributions of less than ` 500 at a time?

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

14. Q. Where are my contributions invested?

A. NPS is a market linked investment scheme that offers subscribers 3 investment options available viz. Equity (E), Corporate bond (C), Government securities (G). You have the choice of opting for one or more of the listed fund options that are best suited to your financial goals or follow the auto investment option model prescribed by PFRDA, which decides the asset mix based on your age.

15. Q. Can I make these investment choices?

A. Your contributions shall be invested as desired by you. In case you have opted for „Active Choice“, your contributions shall be invested in Equity (E), Corporate bond (C) or Government securities (G) asset classes in percentage allocations as per your requirements. In case 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. Your asset allocation will change every year in case of Auto Choice.

16. Q. Who manages my investments?

A. Fund Managers appointed by PFRDA since inception of this scheme. The investment guidelines are prescribed by the Government of India and PFRDA.

17. Q. Can I change my fund manager?

A. Yes, you are allowed to change your Fund Manager(PFM) from the 2nd year of investment. Thereafter you are allowed to change your PFM once year

18. Q. Are there any guarantees available on these investments?

A. NPS is a market linked scheme and there are no investment guarantees available under NPS. Benefits of the scheme will depend on the amount contributed and the investment growth at the time of your exit from the scheme.

19. Q. How do I monitor the performance of my investments?

A. You will be provided with a login id and password to your account, using that you will be able to track the performance of your portfolio.

20. Q. How do I redeem my investment portfolio?

A. The normal retirement age has been fixed at 60 years. At 60, you are required to use at least 40 percent of your retirement savings to purchase an annuity product from any of the registered Annuity Service Providers (ASP). The remainder of the amount can be withdrawn in lump sum. In case of exit from the scheme before the age of 60, you will have to necessarily annuitize 80 percent of your retirement savings.

21. Q. What happens in case I am unable to make the minimum payment?

A. Your account will attain a dormant status in case the minimum payment is not received. You will have to bear a penalty of Rs. 100 per year of default. In order to re activate the account, you will have to pay the minimum contributions, along with the penalty, due for the period the account remained dormant. Please note that your dormant account will automatically close in case its value falls to zero.

22. Q. Can I transfer my account from NPS all citizen models to the corporate sector model of NPS?

A. Yes you can transfer your account from NPS all citizen model to the corporate sector model of NPS. The form for the same can be downloaded from <https://www.npscra.nsdl.co.in/>

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

A. There is no limit on the number of contributions in a year.

24. Q. How does NPS for corporate work?

A. Companies desirous of implementing NPS for Corporate, have to first sign up by filling the corporate registration form. After the corporate submits the corporate registration form to the Point of presence (POP), a corporate registration no. is issued to the corporate by the POP.

Once the corporate receives a corporate registration number the scheme can now be made available to the employees of the corporate. The employee fills up an application form for his individual subscription for NPS. The form captures basic details of the employee in 4 simple steps. Once the individual subscription form is filled by the employee, the form is submitted to the POP for Individual Permanent retirement account no (PRAN) generation. Once the PRAN is generated, the employee now starts contributing towards NPS routed through his/her employer and starts enjoying additional tax benefit on contributions up to 10% of his/her annual basic salary (includes dearness allowance, if applicable). At the time of retirement/vesting, the employee can purchase an annuity from Pension Fund Manager from his/her accumulated retirement corpus. There are several annuity options available ranging from Life annuity to Joint life last survivor for your spouse

25. Q. What are the different types of accounts under NPS for corporate?

A. There are 2 types of accounts under NPS for corporate

- Tier I: Tier I account is a Non-withdrawal Account. Contributions can be withdrawn only by way of Annuities
- Tier II: Tier II account is Withdrawal Savings Account it is similar to market linked savings scheme

26. Q. What are the switching options available between funds in NPS?

A. Under NPS (tier I) online switching between funds is allowed with maximum cap in equity of 50%

27. Q. 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 nominee.

28. Q. What have been the since inception returns of the funds under NPS?

A. The average peer returns since inception is as under for the 3 fund options

Fund Name	Average Yield Since 2009
Equity (E)	8.46%
Corporate Bond(G)	10.54%
Government Securities	4.25%

Tax

29. Q. If I contribute to my NPS corporate, will that amount qualify as deduction in Income tax?

A. Yes, upto 10% of your annual basic salary

30. Q. Can I contribute more than 10% of annual basic salary to NPS? What will the treatment of the excess contribution?

A: Yes, you may contribute more than 10% of your annual basic salary to your NPS account, however the tax benefit that you would get will only be upto 10% of the annual basic salary, the excess amount shall not be considered as a deduction U/S 80C of the Income tax act 1961

Particulars	Scenario 1	Scenario 2
Annual Basic Salary	1000000	1000000
NPS contribution	10%	11%
NPS contribution	100000	110000
Exempt U/S 80CCD	100000	100000
Taxable	Nil	10000

31. Q. Will my corpus be taxed, if I plan to withdraw it as a lump sum?

A. Yes, lump sum withdrawal of the corpus will be taxed as per Income tax act 1961, unless the amount is used for purchasing annuity.

32. Q. Will my monthly pension be taxed?

A. Yes, your monthly pension will be taxed as per Income tax act 1961

33. Q. 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 the survivor.

34. Q. Who are the Annuity Service Providers (ASPs)

A. ASPs would be responsible for delivering a regular monthly pension to you after your exit from the NPS. The six insurance companies selected for providing annuity services are:

1. Life Insurance Corporation of India,
2. SBI Life Insurance Co. Ltd.
3. ICICI Prudential Life Insurance Co. Ltd.
4. Bajaj Allianz Life Insurance Co. Ltd.
5. Star Union Dai-ichi Life Insurance Co. Ltd.
6. Reliance Life Insurance Co. Ltd.

Support

35. Q. Where can I view my unit holdings held in the NPS Tier I and II account?

A. You can view your unit holdings by logging on <https://cra-nsdl.com/CRA/> (CRA site) using the IPIN provided by CRA. The link to the page is also available on the "Unit Holdings" link on NPS page of your www.icicidirect.com trading / investment account.

36. Q. Will I receive a transaction statement on allotment of units in my NPS account?

A. Yes. An annual statement containing details of your unit holdings will be issued by CRA to your registered address within 3 months of the end of every financial year.

37. Q. Can I raise my queries / complaints directly with CRA?

A. Yes. The NPS also has a multi layered Grievance Redressal Mechanism which is easily accessible, simple, quick, fair, responsive & effective. You can register your grievance / complaint by calling at the CRA call centre or by registering the grievance on www.npscra.nsdl.co.in.

You will have to authenticate yourself through the use of T-PIN (in case of call centre)/I-PIN (while registering on the site) allotted to you.

On successful registration of your grievance, a token number will be allotted to you for all future references.

38. Q. How can I track the status of resolution of my grievance that I have registered with CRA?

A. You can check the resolution status of your grievance by logging in to the CRA website www.npscra.nsdl.co.in If you have raised your grievance through CRA, you may contact the CRA Call Center and enquire about the resolution of your grievance by mentioning the token number. You can also raise reminder through any one of the modes mentioned above by specifying the original token number issued.

39. Q. What can I do if I do not get a response from the CRA?

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

Tel: 011-26897948-49, FAX: 011-26892417,

Email: grcpfrda@gmail.com