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1. Introduction to National Pension Scheme (NPS)

1.1. What is NPS

The National Pension System is an attempt towards finding a sustainable solution to the problem of providing adequate retirement income to every citizen of India. NPS aims at ensuring financial security to every citizen by encouraging them to start contributing towards the old age saving. This “defined contribution” pension system has been designed to enable the subscribers to make optimum decisions regarding their future through systematic savings during their working life. NPS seeks to inculcate the habit of saving for retirement amongst the citizens.

1.2. Need for NPS

NPS is important for the burgeoning population of India as it provides:

- Old age income security available to all citizens of India
- Due to improvements in medical science and health facilities, the average life span of an individual has improved significantly. Therefore, an individual will have to save enough to last for nearly 2 decades after he/she retires.
- Increase in geographical mobility and change in social values lead to greater requirement of money at the later stage of life of an old person.
- There is considerable decline in the traditional family support for old age in urban areas due to growing number of nuclear families.

1.3. Salient features of NPS

Following are salient features of NPS:

- It is VOLUNTARY and open to every Indian citizen
- It is SIMPLE – all you have to do is open an account with any one of the Points of Presence and get a PRAN
- It is FLEXIBLE – You choose your own investment plan and fund manager
- It is PORTABLE – can be operated from anywhere in the country and also if you change the job or city
- It is Regulated – NPS is regulated by PFRDA, with transparent investment norms and regular monitoring and performance review of fund managers by NPS Trust.
1.4. **Who can join NPS**

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

- Subscriber should be between 18 – 60 years of age as on the date of submission of his/her application to the POP/ POP-SP.
- Subscriber should comply with the Know Your Customer (KYC) norms as detailed in the Subscriber Registration Form. The Subscriber Registration form attached with this Offer Document should be duly filled-in by the applicant and all terms and conditions mentioned therein should be duly complied with. All the documents required for KYC compliance need to be mandatorily collected.

1.5. **Features of NPS**

NPS has several unique features when compared to other financial products. These are:

- **PRAN Card**: Every individual subscriber is issued a Permanent Retirement Account Number (PRAN) card. This has a 12 digit unique number issued by Government of India. The PRAN Card can be used as Proof of Identity. In case of the card being lost or stolen, the same can be reprinted with additional charges.
- NPS account can be operated from anywhere in the country irrespective of individual employment and location/geography.
- Subscribers can shift from one sector to another. Hence a subscriber of Unorganised sector can move to Central Government, State Government etc with the same Account. Also subscriber can shift within sector like from one POP to another POP and from one POP-SP to another POP-SP.
- NPS provides secure web based interface to its subscribers through www.cra-nsdl.com
  - It provides Unique I-Pin to every subscriber, with periodic password changing policy.
  - Subscriber can avail the following services online:
    - View Client master details and status of change detail requests
    - Generate Portfolio query
    - View Transaction history showing
      - Pension Fund Manager
      - Units Allotted
      - NAV & Investment Value etc
    - Request and print for Transaction Statement
    - Raise Grievances against any intermediary
    - Reset I-Pin

1.6. **NPS presence in various Sectors**

Initially launched for Central Government employees, NPS is now being offered to employees of various State Governments, corporates, and individuals belonging to unorganized sector and economically disadvantaged sections (NPS-Lite).
1.7. **NPS Architecture for Un-organized Sector**

NPS provides a unique opportunity for subscribers to be serviced by intermediaries who are leaders in their respective functional area. In NPS, leading nationalized bank, Bank of India, functions as Trustee Bank. NSDL, which is associated in various successful national level projects, is responsible for recordkeeping functions. Subscribers’ investment is managed by a group of leading funds managers with proven track record.
1.8. NPS Intermediaries

The following are the NPS intermediaries associated with PFRDA:

- **NPS Trust**
- **Central Record keeping Agency (CRA)**
- **Point of Presence (PoP)**
- **Trustee Bank (TB)**
- **Pension Fund Manager (PFM)**
- **Custodian**
- **Annuity Service Provider (ASP)**

1.8.1. NPS Trust

NPS Trust is established by PFRDA for taking care of the assets and funds under the NPS in the best interest of the subscribers. NPS Trust is the registered owner of all assets under the NPS architecture. The securities are purchased by Pension Fund Managers on behalf of, and in the name of the Trustees, however individual NPS subscriber remain beneficial owner of the securities, assets and funds.

NPS Trust is also responsible to Issue instructions to the custodian, Pension Fund Managers and Trustee Bank, Issuing investment guidelines, providing directions to PFM(s) for protecting the interest of subscribers, ensuring compliance through audit by Independent Auditors, and Performance review of Pension Fund Managers, etc.

1.8.2. Central Record Keeping Agency (CRA)

National Securities Depository Limited (NSDL) and PFRDA have set up Central Recordkeeping Agency (CRA) for the NPS. CRA responsibilities are to provide

- Recordkeeping, Administration and Customer service functions for NPS subscribers,
- Unique Permanent Retirement Account Number (PRAN) to each subscriber,
- Maintaining database of all PRANs issued and recording transactions relating to each subscriber’s PRAN,
- PRAN Transaction Statement,
- An operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trustee Bank etc.

1.8.3. PoP

Points of Presence (POPs) are appointed by the PFRDA to provide various facilities to all citizens (known as ‘Subscribers’ in the NPS architecture) at various locations across India. POPs shall provide the services under NPS through their network of branches called POP Service Providers (POP-SP). A POP acts as the first point of interface between voluntary subscriber and NPS architecture.
POP provides following NPS related services to subscriber:

- Subscriber Registration
- Regular subscriber’s contribution
- Change in subscriber details
- Change of investment scheme/fund manager
- Processing of withdrawal request
- Processing of request for subscriber shifting
- Issuance of printed Account statement
- Any other service prescribed by PFRDA

1.8.4. Trustee Bank
Trustee bank is appointed by PFRDA to take care of funds under NPS. Bank of India has been appointed as Trustee Bank. The Trustee Bank upon receiving credits/contribution from Nodal offices would transmit the information to CRA for reconciliation. The Trustee Bank shall remit fund to the entities viz. PFMs, ASPs and subscribers on receipt of instructions from CRA. The following are the functions of trustee bank:

- Collection of Funds from identified POP/POP-SP.
- Pooling of Funds at Trust Account at Nodal Branch. Fund Receipt Confirmation to CRA
- Remittance of funds to PFMs, as per CRA.
- Fund Reconciliation with CRA.

1.8.5. Pension Fund Manager
Pension Fund Managers are appointed by PFRDA to maintain the Pension contribution of all subscribers through various schemes offered by PFM. Subscribers will have the option to invest their contributions in one or more schemes of the PFMs. The PFMs will be responsible for providing the Net Asset Value (NAV) of the Schemes offered to the CRA. PFMs will allot units based on NAV as applicable. The following are the functions of PFMs:

- Investment management in accordance with guidelines issued by PFRDA/NPS Trust
- Provide daily NAV under NPS

1.8.6. Custodian
PRFDA has appointed Stock Holding Corporation of India (SHCIL) as Custodian of NPS and it aims to provide Custodial services in compliance with SEBI Custodial Regulations 1996. The function of custodian includes:

- Settlement Processing of Assets
- Safe keeping of securities – Electronic form
1.8.7. **Annuity Service Provider**

Annuity Service Providers (ASPs) will be appointed by PFRDA to provide annuity to the NPS subscribers in accordance with the annuity schemes chosen by the subscriber.

1.9. **Tax Treatment in NPS**

NPS is covered under the Income Tax Act, 1961 for tax benefits. Currently NPS has ‘Exempt-Exempt-Taxation’ (EET) status where

- Investment up to 1 Lakh in Tier I account is exempted u/s 80C of IT Act
- Withdrawal are subject to tax

However, as per the Proposed Direct Tax Code (DTC), NPS will have Exempt-Exempt-Exempt (EEE) status, which means that there would be **no tax at the time of withdrawal**

Investment made under Tier II account does not entitle any exemption on tax.

1.10. **Swavalamban Benefit with NPS**

The Government of India announced the Swavalamban scheme in the Union budget 2010-11. The scheme is applicable to all citizens in the unorganized sector who join NPS during 2010-11. The scheme will be available for another three years.

Under the scheme, the Government will contribute Rs.1000 to each NPS account provided the,

- Subscriber has given Swavalamban declaration
- Annual contribution is in the range of Rs 1000 and Rs 12000
- Subscriber is not covered under any other social security schemes like PF, Pension etc

As a special case and in recognition of their faith in the NPS, all NPS accounts opened in 2009-10 will be entitled to the benefit of Government contribution under this scheme as if they were opened as new accounts in 2010-11 subject to the condition that they fulfill all the eligibility criteria prescribed under these guidelines.

There is provision for recovery of Swavalamban benefits with penal interest in case the subscriber gives false declaration.
2. Investment options in NPS

2.1. Types of Accounts – Tier I & II

Tier I and Tier II are two sub-accounts under NPS in which the subscribers can invest money. The primary difference between them is how they differ in allowing the subscribers to withdraw their money before retirement.

- **Tier-I account:** This is a non-withdrawable account (for details see section 7).
- **Tier-II account:** This is a voluntary savings facility available as an add-on to any Tier-1 account holder. Subscribers will be free to withdraw their savings from this account whenever they wish.

2.2. Pension Funds

Subscriber has option to select any one of the following six pension funds:

2.2.1. ICICI Prudential Pension Fund
2.2.2. IDFC Pension Fund
2.2.3. Kotak Mahindra Pension Fund
2.2.4. Reliance Capital Pension Fund
2.2.5. SBI Pension Fund
2.2.6. UTI Retirement Solutions Pension Fund

2.3. Investment schemes: Assets Class – E, G, C

The PFM will manage 3 separate schemes, each investing in a different asset class:

**Asset class E (equity market instruments)** – The investment in this asset class would be subject to a cap of 50%. This asset class will be invested in index funds that replicate the portfolio of a particular index such as BSE Sensitive index and NSE Nifty 50 index. These schemes invest in securities in the same weightage as comprised in an index.

**Asset class G (Government Securities)** – This asset class will be invested in central government bonds and state government bonds.

**Asset class C (credit risk bearing fixed income instruments)** – This asset class will be invested in the following instruments:

1. Liquid Funds of AMCs regulated by SEBI with the following filters:
   - **AMCs are SEBI regulated, with Average total assets under management (AUM) for the most recent six-month period of, at least, Rs.5000 crores.**
   - **All assets that are permitted for investment into liquid funds by SEBI.**
II. Fixed Deposits of scheduled commercial banks with following filters:
   o Net worth of at least Rs.500 crores and a track record of profitability in the last three years.
   o Capital adequacy ratio of not less than 9% in the last three years. Net NPA of under 5% as a percentage of net advances in the last year

III. Debt securities with maturity of not less than three years tenure issued by bodies corporate including scheduled commercial banks and public financial institutions [as defined in Section 4 (A) of the Companies Act] provided that at least 75% of the investment in this category is made in instruments having an investment grade rating from at least one credit rating agency.

IV. Credit Rated Public Financial Institutions/PSU Bonds

V. Credit Rated Municipal Bonds/Infrastructure Bonds

2.4. Scheme preference choice

The NPS offers two approaches to invest subscriber’s money:

- Active choice - Individual Funds (Asset class E, Asset Class C, and Asset Class G)
- Auto choice - Lifecycle Fund

**Active choice - Individual Funds**

Subscriber will have the option to actively decide as to how his NPS pension wealth is to be invested in the available three options. Subscriber can invest his/her entire pension wealth in C or G asset classes and up to a maximum of 50% in equity (Asset class E), subject to conditions prescribed by PFRDA.

In case the subscriber decides to actively exercise his choice about investment options, he shall be required to indicate his choice of Pension Fund from among the six Pension Funds (PFM) appointed by PFRDA.

**Auto choice - Lifecycle Fund**

NPS offers an easy option for those participants who do not have the required knowledge to manage their NPS investments. In case subscriber is unable / unwilling to exercise any choice, then the funds will be invested in accordance with the Auto Choice option.

In this option, the investments will be made in a life-cycle fund. The fraction of funds invested across three asset classes will be determined by a pre-defined portfolio. At the lowest age of entry (18 years), the auto choice will entail investment of 50% of pension wealth in “E” Class, 30% in “C” Class
and 20% in “G” Class. These ratios of investment will remain fixed for all contributions until the subscriber completes 35 years of age. From age 36 onwards, the weight in “E” and “C” asset class will decrease annually and the weight in “G” class will increase annually till it reaches 10% in “E”, 10% in “C” and 80% in “G” class at age 55

**Table for Lifecycle Fund**

<table>
<thead>
<tr>
<th>Age</th>
<th>Asset Class E</th>
<th>Asset Class C</th>
<th>Asset Class G</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 35 years</td>
<td>50%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>36 years</td>
<td>48%</td>
<td>29%</td>
<td>23%</td>
</tr>
<tr>
<td>37 years</td>
<td>46%</td>
<td>28%</td>
<td>26%</td>
</tr>
<tr>
<td>38 years</td>
<td>44%</td>
<td>27%</td>
<td>29%</td>
</tr>
<tr>
<td>39 years</td>
<td>42%</td>
<td>26%</td>
<td>32%</td>
</tr>
<tr>
<td>40 years</td>
<td>40%</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>41 years</td>
<td>38%</td>
<td>24%</td>
<td>38%</td>
</tr>
<tr>
<td>42 years</td>
<td>36%</td>
<td>23%</td>
<td>41%</td>
</tr>
<tr>
<td>43 years</td>
<td>34%</td>
<td>22%</td>
<td>44%</td>
</tr>
<tr>
<td>44 years</td>
<td>32%</td>
<td>21%</td>
<td>47%</td>
</tr>
<tr>
<td>45 years</td>
<td>30%</td>
<td>20%</td>
<td>50%</td>
</tr>
<tr>
<td>46 years</td>
<td>28%</td>
<td>19%</td>
<td>53%</td>
</tr>
<tr>
<td>47 years</td>
<td>26%</td>
<td>18%</td>
<td>56%</td>
</tr>
<tr>
<td>48 years</td>
<td>24%</td>
<td>17%</td>
<td>59%</td>
</tr>
<tr>
<td>49 years</td>
<td>22%</td>
<td>16%</td>
<td>62%</td>
</tr>
<tr>
<td>50 years</td>
<td>20%</td>
<td>15%</td>
<td>65%</td>
</tr>
<tr>
<td>51 years</td>
<td>18%</td>
<td>14%</td>
<td>68%</td>
</tr>
<tr>
<td>52 years</td>
<td>16%</td>
<td>13%</td>
<td>71%</td>
</tr>
<tr>
<td>53 years</td>
<td>14%</td>
<td>12%</td>
<td>74%</td>
</tr>
<tr>
<td>54 years</td>
<td>12%</td>
<td>11%</td>
<td>77%</td>
</tr>
</tbody>
</table>
*In case of Auto Choice, the first reallocation among the asset classes shall take place on 1st October, 2010 and, thereafter, on the date of birth of the subscriber.

Net Asset Value (NAV) will be released on a daily basis so that subscriber may be able to take informed decisions. (Refer section 8.2)

2.5. **Rebalancing feature**

As per PFRDA guidelines rebalancing of assets takes place in either of the below mentioned situations

**If Active Choice** –

- A cap of 50% on investment under Equity scheme is applicable. In case this limit is exceeded, rebalancing will need to be carried out once in a year on the date of the birth of subscriber.

**If Auto Choice** –

- Dynamic (system driven) rebalancing across scheme as per the age wise allocation ratio will be carried out on the date of birth of the subscriber.

2.6. **Scheme Preference Change**

NPS offers to its subscribers the option to change the scheme preference. Subscriber has option to realign his investment in asset class E, C and G based on age and future income requirement. Also, the subscriber has option to change the PFM and the investment option (active /auto choice). In case the subscriber opts for a New Scheme Preference then the same will be applicable to both past as well as prospective investments.

**In case of Active Choice**

Scheme preference will lead to switch of the entire corpus accumulated till then. All investment will have to be in line with the current scheme preference.

A cap of 50% on investment under Equity scheme is applicable. In case this limit is exceeded, rebalancing will need to be carried out once in a year.

**In case of Auto Choice**

Age wise allocation pattern is applicable on the total corpus and not only on fresh investment.

Dynamic (system driven) rebalancing across scheme as per the age wise allocation ratio will be carried out on the date of birth of the subscriber.
**In case of PFM**

Change in PFM will result in the switching of entire corpus from one PFM to another. A subscriber can have only one PFM at any given point of time in NPS.

**Example 1: Subscriber Scheme Preference change involving PFM in Active Choice:**

At the time of registration - Subscriber has invested Rs 10000 using Active Choice option with PFM - “SBI Pension Fund”.

<table>
<thead>
<tr>
<th>Investment Amount</th>
<th>Rs. 10000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Option</td>
<td>Active Choice</td>
</tr>
<tr>
<td>PFM</td>
<td>SBI Pension Fund</td>
</tr>
</tbody>
</table>

1) Subscriber Scheme Preference at the time of registration

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>E</th>
<th>C</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation %age</td>
<td>50</td>
<td>30</td>
<td>20</td>
</tr>
</tbody>
</table>

2) Subscriber Statement of holding after the first subscriber contribution

<table>
<thead>
<tr>
<th>PFM</th>
<th>Asset Class</th>
<th>Allocation (Rs)</th>
<th>NAV</th>
<th>Units</th>
<th>Corpus (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBI PF</td>
<td>E</td>
<td>5000</td>
<td>10</td>
<td>500</td>
<td>5000</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>3000</td>
<td>10</td>
<td>300</td>
<td>3000</td>
</tr>
<tr>
<td></td>
<td>G</td>
<td>2000</td>
<td>10</td>
<td>200</td>
<td>2000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>10000</td>
<td>1000</td>
<td>10000</td>
<td></td>
</tr>
</tbody>
</table>

3) Subscriber is allowed to change his existing scheme preference request only once in a year by submitting scheme change request form to POP. Suppose on 1st May 2010 the subscriber wants to change the existing SBI PF and opt for Kotak PF to manage his NPS fund and he contributes Rs. 10000 on same day.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>E</th>
<th>C</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation %age</td>
<td>50</td>
<td>0</td>
<td>50</td>
</tr>
</tbody>
</table>
4) Subscriber’s new contribution will get invested as per the new scheme preference and the previous corpus will be redeemed from PFM – SBI PF and the invested in new PFM - Kotak as per the new scheme preference.

<table>
<thead>
<tr>
<th>PFM</th>
<th>Asset Class</th>
<th>Scheme Preference</th>
<th>Amount</th>
<th>NAV</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kotak</td>
<td>E</td>
<td>50</td>
<td>5000</td>
<td>20</td>
<td>250</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>G</td>
<td>50</td>
<td>5000</td>
<td>20</td>
<td>250</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100</td>
<td>10000</td>
<td>0</td>
<td>500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Existing Unit</th>
<th>NAV</th>
<th>Amt Redeemed @SBI PF</th>
<th>Amt invested @Kotak PF</th>
<th>Units @ Kotak</th>
</tr>
</thead>
<tbody>
<tr>
<td>500</td>
<td>10</td>
<td>5000</td>
<td>5000</td>
<td>250</td>
</tr>
<tr>
<td>300</td>
<td>10</td>
<td>3000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>200</td>
<td>10</td>
<td>2000</td>
<td>5000</td>
<td>250</td>
</tr>
<tr>
<td>1000</td>
<td></td>
<td>10000</td>
<td>10000</td>
<td>500</td>
</tr>
</tbody>
</table>

=

<table>
<thead>
<tr>
<th>Total Corpus</th>
<th>New Asset Class Distribution</th>
<th>Allocation Amount</th>
<th>NAV</th>
<th>Total Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>20,000</td>
<td>E – 50%</td>
<td>10,000</td>
<td>20</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td>C – 0</td>
<td>0</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td></td>
<td>G – 50%</td>
<td>10,000</td>
<td>20</td>
<td>500</td>
</tr>
</tbody>
</table>

Example 2: Subscriber Scheme Preference change involving PFM in Auto Choice:

1) At the time of registration - Subscriber has invested Rs 10000 in Auto Choice option with PFM as - “SBI Pension Fund”.

<table>
<thead>
<tr>
<th>Investment Amount</th>
<th>Rs. 10000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Option</td>
<td>Auto Choice</td>
</tr>
<tr>
<td>PFM</td>
<td>SBI Pension Fund</td>
</tr>
</tbody>
</table>
2) Subscriber Scheme Preference at the time of registration (a function of Date of Birth).

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>E</th>
<th>C</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation %age</td>
<td>50</td>
<td>30</td>
<td>20</td>
</tr>
</tbody>
</table>

3) Subscriber Statement of holding after the first subscriber contribution –

<table>
<thead>
<tr>
<th>PFM</th>
<th>Asset Class</th>
<th>Allocation (Rs)</th>
<th>NAV</th>
<th>Units</th>
<th>Corpus (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBI PF</td>
<td>E</td>
<td>5000</td>
<td>10</td>
<td>500</td>
<td>5000</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>3000</td>
<td>10</td>
<td>300</td>
<td>3000</td>
</tr>
<tr>
<td></td>
<td>G</td>
<td>2000</td>
<td>10</td>
<td>200</td>
<td>2000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>10000</td>
<td>1000</td>
<td>10000</td>
<td></td>
</tr>
</tbody>
</table>

4) Subscriber will turn 36 on 3rd May, 2010 and his new scheme preference as per the age will also get applicable on 3rd. In between the subscriber has opted for the change in PFM (From SBI PF to Kotak) also as on 3rd itself.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>E</th>
<th>C</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation %age</td>
<td>48</td>
<td>29</td>
<td>23</td>
</tr>
</tbody>
</table>

5) On 3rd May, 2010, Before the beginning of the day the subscriber’s statement of holding with PFM - SBI PF

<table>
<thead>
<tr>
<th>PFM</th>
<th>Asset Class</th>
<th>Allocation (Rs)</th>
<th>NAV</th>
<th>Units</th>
<th>Corpus (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBI PF</td>
<td>E</td>
<td>5000</td>
<td>10</td>
<td>500</td>
<td>5000</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>3000</td>
<td>10</td>
<td>300</td>
<td>3000</td>
</tr>
<tr>
<td></td>
<td>G</td>
<td>2000</td>
<td>10</td>
<td>200</td>
<td>2000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>10000</td>
<td>1000</td>
<td>10000</td>
<td></td>
</tr>
</tbody>
</table>

6) On 3rd May, 2010, After the settlement cycle is over subscriber’s statement of holding with PFM - Kotak

<table>
<thead>
<tr>
<th>Existing Corpus of the Subscriber with PFM - SBI PF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Unit</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>500</td>
</tr>
<tr>
<td>300</td>
</tr>
<tr>
<td>200</td>
</tr>
<tr>
<td>1000</td>
</tr>
</tbody>
</table>
Example 3: Policy Breach on Equity Cap (50%) due to the NAV fluctuation

1) At the time of registration - Subscriber has invested Rs 10000 using Active Choice option with PFM - “SBI Pension Fund”.

| Investment Amount | Rs. 10000 |
| Investment Option | Active Choice |
| PFM | SBI Pension Fund |

2) Subscriber Scheme Preference at the time of registration

| Asset Class | E | C | G |
| Allocation %age | 50 | 30 | 20 |

3) Subscriber Statement of holding after the first subscriber contribution

<table>
<thead>
<tr>
<th>PFM</th>
<th>Asset Class</th>
<th>Allocation (Rs)</th>
<th>NAV</th>
<th>Units</th>
<th>Corpus (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBI PF</td>
<td>E</td>
<td>5000</td>
<td>10</td>
<td>500</td>
<td>5000</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>3000</td>
<td>10</td>
<td>300</td>
<td>3000</td>
</tr>
<tr>
<td></td>
<td>G</td>
<td>2000</td>
<td>10</td>
<td>200</td>
<td>2000</td>
</tr>
<tr>
<td>Total</td>
<td>10000</td>
<td>1000</td>
<td>10000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4) On 15\textsuperscript{th} May, 2010, due to the rise in NAV across various Schemes the exposure in Equity may go beyond the stipulated limit of 50% as decided by PFRDA.

<table>
<thead>
<tr>
<th>PFM</th>
<th>SBI PF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Class</td>
<td>E</td>
</tr>
<tr>
<td>NAV</td>
<td>15</td>
</tr>
</tbody>
</table>

Breach in Equity cap due to increase in NAV

<table>
<thead>
<tr>
<th>Total Subscriber Corpus as on 15th May 2010 (with variation in NPS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PFM</td>
</tr>
<tr>
<td>-----</td>
</tr>
<tr>
<td>SBI PF</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

= 13500.00

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Ideal Scheme Preference</th>
<th>Redeem</th>
<th>Re-invest</th>
<th>Investment Status post Switch</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% Allocation</td>
<td>Amount</td>
<td>Switch Out</td>
<td>Amount</td>
</tr>
<tr>
<td>E</td>
<td>50%</td>
<td>6750.00</td>
<td>750.00</td>
<td>50</td>
</tr>
<tr>
<td>C</td>
<td>30%</td>
<td>4050.00</td>
<td>-450.00</td>
<td>-37.5</td>
</tr>
<tr>
<td>G</td>
<td>20%</td>
<td>2700.00</td>
<td>-300.00</td>
<td>-25</td>
</tr>
<tr>
<td></td>
<td>13500.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3. Contribution Payment
The subscriber is required to make first contribution at the time of applying for registration for Tier I & Tier II account at any POP-SP. The contribution payment for Tier I & Tier II account is subject to the following:

3.1. Contribution Amount

<table>
<thead>
<tr>
<th></th>
<th>Tier I</th>
<th>Tier II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Contribution at the time of account opening</td>
<td>Rs. 500</td>
<td>Rs. 1000</td>
</tr>
<tr>
<td>Minimum amount per contribution</td>
<td>Rs. 500</td>
<td>Rs. 250</td>
</tr>
<tr>
<td>Minimum total contribution in the year</td>
<td>Rs. 6000</td>
<td>Rs. 2000</td>
</tr>
<tr>
<td>Minimum frequency of contributions</td>
<td>1 per year</td>
<td>1 per year</td>
</tr>
</tbody>
</table>

3.2. To make contribution payment, the subscriber is required to approach the nearest POP-SP branch. The subscriber can contribute through the following modes:
- Cash
- Local cheque (post dated cheques acceptable)
- Demand draft
- Electronic clearing service (ECS): If this facility is provided by POP.
4. Charge structure

4.1. NPS Charges Matrix

Following are the charges under NPS:

<table>
<thead>
<tr>
<th>Intermediary</th>
<th>Charge head</th>
<th>Service charges*</th>
<th>Method of Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRA</td>
<td>PRA Opening charges</td>
<td>Rs. 50</td>
<td>Through cancellation of units</td>
</tr>
<tr>
<td></td>
<td>Annual PRA Maintenance cost per account</td>
<td>Rs. 280$^{1}$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Charge per transaction</td>
<td>Rs. 6$^{1}$</td>
<td></td>
</tr>
<tr>
<td>POP</td>
<td>Initial subscriber registration and contribution upload</td>
<td>Rs. 40</td>
<td>To be collected upfront</td>
</tr>
<tr>
<td>(Maximum Permissible Charge for each subscriber)</td>
<td>Any subsequent transactions$^{3}$</td>
<td>Rs. 20</td>
<td></td>
</tr>
<tr>
<td>Trustee Bank</td>
<td>Per transaction emanating from a RBI location</td>
<td>zero</td>
<td>Through NAV deduction</td>
</tr>
<tr>
<td></td>
<td>Per transaction emanating from a non-RBI location$^{4}$</td>
<td>Rs. 15</td>
<td></td>
</tr>
<tr>
<td>Custodian$^{5}$ (On asset value in custody)</td>
<td>Asset Servicing charges</td>
<td>0.0075% p.a for Electronic segment &amp; 0.05% p.a for Physical segment</td>
<td>Through NAV deduction</td>
</tr>
<tr>
<td>PFM charges</td>
<td>Investment Management Fee$^{3}$</td>
<td>0.0009% p.a.</td>
<td>Through NAV deduction</td>
</tr>
</tbody>
</table>

*Service tax and other levies, as applicable, will be levied as per the existing tax laws.
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 further 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.

These include

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

The 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.

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.

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

### 4.2. Net investment in NPS – Tier I Account

For different contribution amounts, the following table provides Net Contribution Value invested in Tier-I as of year-end after deducting all applicable charges:

<table>
<thead>
<tr>
<th>NPS Contribution (A) Rs.</th>
<th>Year</th>
<th>POP Charge* (B)</th>
<th>Net Invested Contribution (C)</th>
<th>CRA Charges ** (D)</th>
<th>PFM Charge (E)</th>
<th>Custodian Charge+ (F)</th>
<th>Total Charges (G=D+E+F)</th>
<th>Net Contribution Value (H=C-G)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,000</td>
<td>First Year</td>
<td>110.3</td>
<td>5,890</td>
<td>390.462</td>
<td>0.0546</td>
<td>0.4549</td>
<td>391</td>
<td>5,499</td>
</tr>
<tr>
<td></td>
<td>Subsequent Year</td>
<td>88.24</td>
<td>5,912</td>
<td>335.312</td>
<td>0.0554</td>
<td>0.4613</td>
<td>336</td>
<td>5,576</td>
</tr>
<tr>
<td>10,000</td>
<td>First Year</td>
<td>110.3</td>
<td>9,890</td>
<td>390.462</td>
<td>0.0943</td>
<td>0.7858</td>
<td>391</td>
<td>9,498</td>
</tr>
<tr>
<td>Tier II Contribution (A)</td>
<td>Year</td>
<td>POP Charge* (B)</td>
<td>Net Invested Contribution (C)</td>
<td>CRA Charges ** (D)</td>
<td>PFM Charge (E)</td>
<td>Custodian Charge+ (F)</td>
<td>Total Charges (G=D+E+F)</td>
<td>Net Contribution Value (H=C-G)</td>
</tr>
<tr>
<td>-------------------------</td>
<td>------</td>
<td>-----------------</td>
<td>------------------------------</td>
<td>-------------------</td>
<td>----------------</td>
<td>----------------------</td>
<td>------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>25,000</td>
<td>First Year</td>
<td>110.3</td>
<td>24,890</td>
<td>390.462</td>
<td>0.2432</td>
<td>2.0267</td>
<td>393</td>
<td>24,497</td>
</tr>
<tr>
<td>Subsequent Year</td>
<td>88.24</td>
<td>24,912</td>
<td>335.312</td>
<td>0.2440</td>
<td>2.0331</td>
<td>338</td>
<td>24,574</td>
<td></td>
</tr>
<tr>
<td>50,000</td>
<td>First Year</td>
<td>110.3</td>
<td>49,890</td>
<td>390.462</td>
<td>0.4914</td>
<td>4.0948</td>
<td>395</td>
<td>49,495</td>
</tr>
<tr>
<td>Subsequent Year</td>
<td>88.24</td>
<td>49,912</td>
<td>335.312</td>
<td>0.4921</td>
<td>4.1012</td>
<td>340</td>
<td>49,572</td>
<td></td>
</tr>
<tr>
<td>1,00,000</td>
<td>First Year</td>
<td>110.3</td>
<td>99,890</td>
<td>390.462</td>
<td>0.9877</td>
<td>8.2310</td>
<td>400</td>
<td>99,490</td>
</tr>
<tr>
<td>Subsequent Year</td>
<td>88.24</td>
<td>99,912</td>
<td>335.312</td>
<td>0.9885</td>
<td>8.2374</td>
<td>345</td>
<td>99,567</td>
<td></td>
</tr>
</tbody>
</table>

- POP charges include minimum number of 4 contributions per year. Initial Registration =Rs 20, Per Contribution = Rs 20
- ** CRA charges include Rs 6 per transaction and Rs 280 for annual maintenance. First Year registration charge is Rs 50.
- + Custodian Charges calculated for Electronic Segment (0.0075%).
- All charges in the table above include Service tax of 10.3%

Note: CRA account maintenance and transaction charges would reduce once subscriber base touches 30 lacs.

### 4.3. Net investment in NPS – Tier II Account

For different contribution amount, the following table provides **Net Contribution Value** invested in Tier-II as of year-end after deducting all applicable charges:

<table>
<thead>
<tr>
<th>Tier II Contribution (A)</th>
<th>Year</th>
<th>POP Charge* (B)</th>
<th>Net Invested Contribution (C)</th>
<th>CRA Charges ** (D)</th>
<th>PFM Charge (E)</th>
<th>Custodian Charge+ (F)</th>
<th>Total Charges (G=D+E+F)</th>
<th>Net Contribution Value (H=C-G)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>First Year</td>
<td>88.24</td>
<td>1,912</td>
<td>26.472</td>
<td>0.0187</td>
<td>0.1560</td>
<td>26.65</td>
<td>1,885</td>
</tr>
<tr>
<td>Year</td>
<td>Subsequent Year</td>
<td>Subsequent Year</td>
<td>Subsequent Year</td>
<td>Subsequent Year</td>
<td>Subsequent Year</td>
<td>Subsequent Year</td>
<td>Subsequent Year</td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>----------------</td>
<td>----------------</td>
<td>----------------</td>
<td>----------------</td>
<td>----------------</td>
<td>----------------</td>
<td>----------------</td>
<td></td>
</tr>
<tr>
<td>10000</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td></td>
</tr>
<tr>
<td></td>
<td>88.24</td>
<td>9,912</td>
<td>26.472</td>
<td>0.0981</td>
<td>0.8178</td>
<td>27.39</td>
<td>9,884</td>
<td></td>
</tr>
<tr>
<td></td>
<td>88.24</td>
<td>9,912</td>
<td>26.472</td>
<td>0.0981</td>
<td>0.8178</td>
<td>27.39</td>
<td>9,884</td>
<td></td>
</tr>
<tr>
<td>25000</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td></td>
</tr>
<tr>
<td></td>
<td>88.24</td>
<td>24,912</td>
<td>26.472</td>
<td>0.2470</td>
<td>2.0586</td>
<td>28.78</td>
<td>24,883</td>
<td></td>
</tr>
<tr>
<td></td>
<td>88.24</td>
<td>24,912</td>
<td>26.472</td>
<td>0.2470</td>
<td>2.0586</td>
<td>28.78</td>
<td>24,883</td>
<td></td>
</tr>
<tr>
<td>50000</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td></td>
</tr>
<tr>
<td></td>
<td>88.24</td>
<td>49,912</td>
<td>26.472</td>
<td>0.4952</td>
<td>4.1267</td>
<td>31.09</td>
<td>49,881</td>
<td></td>
</tr>
<tr>
<td></td>
<td>88.24</td>
<td>49,912</td>
<td>26.472</td>
<td>0.4952</td>
<td>4.1267</td>
<td>31.09</td>
<td>49,881</td>
<td></td>
</tr>
<tr>
<td>100000</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td>First Year</td>
<td></td>
</tr>
<tr>
<td></td>
<td>88.24</td>
<td>99,912</td>
<td>26.472</td>
<td>0.9916</td>
<td>8.2629</td>
<td>35.73</td>
<td>99,876</td>
<td></td>
</tr>
<tr>
<td></td>
<td>88.24</td>
<td>99,912</td>
<td>26.472</td>
<td>0.9916</td>
<td>8.2629</td>
<td>35.73</td>
<td>99,876</td>
<td></td>
</tr>
</tbody>
</table>

- *POP charges assume minimum of 4 contributions per year. Charges per Contribution = Rs 20
- ** CRA charges include Rs 6 per transaction only, hence net CRA charges = Rs 24.
- + Custodian Charges calculated for Electronic Segment (0.0075%).
- All charges in the table above include Service tax of 10.3%

Note: There is no separate Annual Maintenance Charge for investment in Tier II account.

5. **NPS Fund Security**

NPS is prudentially regulated by PFRDA to protect the interest of its subscribers. NPS is designed for transparent investment norms, regular monitoring and performance review of all intermediaries.

5.1. **PFRDA Monitoring Compliance**

The role of PFRDA is to assess and monitor the level of compliance of Intermediaries. It checks that:

- There is compliance with disclosure requirements and the Code of Conduct specified by PFRDA from time to time.
- Management of Pension Funds is in line with the Investment Management Agreement signed with the NPS Trust.
- Pension fund maintain their separate accounts and audits are conducted by agency appointed by PFRDA.
- The audit agency checks the NAV calculation procedure and computation of other charges on subscriber.
- There is periodic reporting and Performance Review by PFRDA/NPS Trust.

### 5.2. Measuring PFM Performance

Following reports are generated on monthly basis:

<table>
<thead>
<tr>
<th>S. No</th>
<th>Report / Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Details of the Portfolio Value for each scheme.</td>
</tr>
<tr>
<td>2</td>
<td>Calculations of the total percentage return (money and time weighted) on the Portfolio for each scheme for the period.</td>
</tr>
<tr>
<td>3</td>
<td>A subdivision of Portfolio Value into each type of security showing market value in rupees and as a percentage of total Portfolio Value.</td>
</tr>
</tbody>
</table>
| 4     | Details for each investment in the Portfolio including (as per Details column)  
  - Name of investment,  
  - Number of units (eg shares = number of shares, bonds = face value);  
  - Carrying value of investment,  
  Market value per unit |
| 5     | Details of all transactions effected by the Fund Manager during the period. |
| 6     | Amounts received or accrued during the period to which the report relates. |
| 7     | The management fee (included in the monthly report at the quarter end) |

Following reports are generated on quarterly basis:

<table>
<thead>
<tr>
<th>S. No</th>
<th>Report / Content</th>
</tr>
</thead>
</table>
| 1     | Overview of portfolio positioning including evaluation of  
  - current economic conditions,  
  - prospects for securities markets,  
  - justification for the positions and transactions in the portfolio,  
  - attribution of performance over last quarter (and year when applicable) on absolute basis as well as relative to the specified market benchmark,  
  - Outlook for returns for the portfolio. |
| 2     | All transactions carried out between the schemes, PF and its associates or purchase/sale of securities of group companies of sponsor. |
| 3     | All transactions in securities by key personnel of PF in their own beneficial interest (either in own name or through associates). |
### Internal audit reports from independent auditors, compliance certificates and subscriber complaints reports

### Statement of compliance with investment guidelines

Following reports are generated on annual basis:

<table>
<thead>
<tr>
<th>S. No</th>
<th>Report / Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Statement regarding the current status of the sponsor’s regulatory licenses and details of any changes in the name or capitalisation of the PF company or sponsors.</td>
</tr>
<tr>
<td>2</td>
<td>Statement of income and expenditure and a balance sheet reflecting the position of the funds, investments made, and a statement showing the amount of interest accrued but not realised as on closing date of the financial year.</td>
</tr>
<tr>
<td>3</td>
<td>All service contracts carried out between schemes, PF &amp; its associates.</td>
</tr>
<tr>
<td>4</td>
<td>All service contracts such as for custody arrangements and transfer agency of the securities are executed in the interest of subscribers.</td>
</tr>
<tr>
<td>5</td>
<td>Summary of all activities and compliance with guidelines.</td>
</tr>
<tr>
<td>6</td>
<td>Annual statement of audited accounts of the scheme.</td>
</tr>
</tbody>
</table>

### 5.3. Risk Management with NPS

NPS offers individual to manage risks effectively through the:

- Option to remain invested even after retirement.
  - Unlike other pension plans NPS gives subscriber an option to remain invested in the scheme even after the age of retirement. Hence even after the age of 60, an individual, if not in need of money can remain invested in NPS and gain improved returns.
- 50% cap on equity with rebalancing feature.
  - To protect the subscriber’s contribution from the uncertainties of the equity market, the investment in equity is limited to 50%.
- Auto choice option.
  - Where the subscriber doesn’t have financial knowledge, the contribution will be made in a pre-defined portfolio in which the share of equity in the portfolio goes down as the age of the subscriber increases.
- Option to switch PFM & change asset allocation ratio.
  - Subscriber has option to change PFM if he is not satisfied with the performance of fund, charge structure, quality of service etc.
  - Subscriber has option to revise the asset allocation ratio based on age and financial goals.
6. Annuity

In NPS, the pension wealth accumulated by the subscriber is converted into annuities by the Annuity Service Provider (ASP) as a result of which the subscriber will receive monthly pension for the rest of his/her life. On attaining the normal retirement age of 60 years, the subscriber has to annuitize a minimum of 40% and maximum of 100% of his/her corpus for buying annuity from ASP regulated by Insurance Regulatory and Development Authority (IRDA). At any point in time before 60 years of age, the subscriber would be required to invest at least 80% of the pension wealth to purchase a life annuity and withdraw rest of the amount as lump sum.

6.1. Key feature of Annuity in NPS

- **Income post-retirement:** Annuity generates fixed monthly (periodic) income which a subscriber will get against the corpus invested.
- **Build your own corpus:** The subscriber can contribute as much as he/she wants to build their retirement savings. The larger the corpus size, the bigger will be the monthly annuity to the subscriber.
- **Flexible retirement age:** NPS provides an option to the subscriber to decide his retirement age which can be any time before 60. In such case, subscriber can annuitize a minimum of 80% and maximum of 100% of his corpus towards buying annuity.

**Purchase annuity online:** At the time of withdrawal from NPS, the subscriber will have an option to purchase annuity online. The following online facilities will be given to the subscribers:

- Selection of Annuity Service Provider (ASP) – the subscriber can choose from the list of selected ASPs.
- Selection of annuity scheme – the subscriber will have an option to choose from the annuity schemes available.
- Option to change ASP & scheme (if already registered) before attaining retirement age
- The entire transfer of amount between NPS System and ASP will take place without any manual intervention.

Note: Annuity Service Providers under NPS are “Yet to be appointed”
7. Funds Withdrawal (Getting Money Out)

Following are the three situations and corresponding benefit in case of withdrawal from this scheme:

<table>
<thead>
<tr>
<th>Vesting Criteria</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>At any point in time before 60 years of Age</td>
<td>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 wealth may be withdrawn as lump sum.</td>
</tr>
<tr>
<td>On attaining the Age of 60 years and upto 70 years of age</td>
<td>On exit, subscriber would be required to invest minimum 40 percent of accumulated savings (pension wealth) to purchase a life annuity from any IRDA-regulated life insurance company. Subscriber may choose to purchase an annuity using more than 40 percent of his corpus. The remaining pension wealth can either be withdrawn in a lump sum at age 60 or in a phased manner, between age 60 and 70, at the option of the subscriber.</td>
</tr>
<tr>
<td>Death due to any cause</td>
<td>In such an unfortunate event, option will be available to the nominee to receive 100% of the NPS pension wealth in lump sum. However, if the nominee wishes to continue with the NPS, he/she shall have to subscribe to NPS individually after following due KYC procedure.</td>
</tr>
</tbody>
</table>

7.1. Withdrawal Process

Subscriber or the nominee would follow the below mentioned process for getting the money out:
Annuity Service Provider (ASP) and scheme should be selected before withdrawal request is submitted to the concerned POP.

7.2. Different Conditions for Withdrawal
The following section describes the various steps involved in different conditions for withdrawal.

7.2.1. Normal Retirement Withdrawal - On attaining age of 60 years

- Procedure
  - Subscriber to submit withdrawal form to POP.
  - Annuitize minimum 40% of pension wealth and withdraw 60% as lump sum or in phased manner.

- Documents required
  - PRAN card – For Verification only
  - Copy of PRAN card
  - Withdrawal form

- Timelines
  - Subscriber receives settlement amount of lump sum 60% on $T^2 + 3$ days directly into bank account or through cheque
  - Remaining min. 40% or above goes to ASP online on $T^* + 3$ days

7.2.2. Premature Withdrawal - At any point in time before 60 years of age

- Procedure
  - Subscriber to submit withdrawal form to POP
  - Annuitize min. 80% of pension wealth and withdraw 20% as lump sum or in phased manner

- Documents required
  - PRAN card – For Verification only
  - Copy of PRAN card
  - Withdrawal form

- Timelines
  - Subscriber receives settlement amount of lump sum 20% on $T^* + 3$ days directly into bank account or through cheque
  - Remaining min. 80% or above goes to ASP online on $T^*+3$ days

7.2.3. Withdrawal in case of Death - If Nominee exist

- Procedure
  - Nominee submit withdrawal form to POP

- Documents required
  - Death Certificate of the deceased

---

$T^* = \text{Date of withdrawal request authorized by POP in CRA system}$
7.2.4. Withdrawal in case of Death - If Nominee does not exists

- **Procedure**
  - Legal heir to the deceased submits withdrawal form to POPs

- **Documents required**
  - Death certificate
  - Legal heir certificate as applicable by Court of Law
  - Identification proof of the legal heir

- **Timelines**
  - Legal heir receives lump sum settlement amount in T*+ 3 days directly into bank account or through cheque

7.3. Phased Withdrawal

- On attaining 60 years, the subscriber is required to invest minimum 40% of the accumulated savings (pension wealth) to purchase a life annuity from any IRDA-regulated life insurance company and the remaining pension wealth can be withdrawn as lump sum or in a phased manner.
- Lump sum / Phased withdrawal can be considered if -
  - If market is high, subscriber can withdraw 60% lump sum on attaining 60 years of age to avail better returns.
  - If market is low, subscriber can opt for phased withdrawal and can stay invested in NPS till 70 years of age and withdraw –
    - Min 10% every year
    - Any balance credit at age of 70 years should be withdrawn compulsorily as lump sum
8. Returns

8.1. Statement of Transaction

- Statement of Transaction (SoT) is sent by CRA to all subscribers between April and June for all transactions done in previous financial year.
- Alternatively, subscribers can get their SoT in the following ways:

1. Login to CRA site and view SoT > Views > Statement of Transaction (UoS)
2. Visit PoP and request for SoT print out for a charge up to Rs 20 (taxes extra)
8.2. Track NAV of all Schemes
There are two options available to anyone for tracking NAV of all schemes under NPS:

1. **NSDL CRA Website**: URL for this website is [http://www.npscra.nsdl.co.in](http://www.npscra.nsdl.co.in). On the homepage the user can select “PFM-wise NAV Search” section. In this section, user needs to select any one of the available PFMs to view all its schemes and their latest NAVs.
2. **Pension Fund Manager Website**: One can log on to the website of any PFM to check NAV of their respective funds. Historical NAVs of their respective schemes could also be found in PFM website for NPS.

9. **Grievance Management**

PFRDA has set up a centralized grievance redress mechanism to facilitate complaints from customers as well as any intermediaries involved. This system ensures that the grievances can be captured through multiple channels and are addressed in a time-bound manner.

9.1. **Grievance Mechanism**

Central Grievance Management System (CGMS) is the platform to register grievances for all entities in CRA system. A subscriber can raise grievances against

- CRA for services provided by CRA and
- POP/ POP-SP.

9.2. **Key Feature of NPS Grievance Mechanism**

The key features of NPS grievance mechanisms are

- Centralized and transparent platform for grievance resolution.
- Stipulated timeframe to resolve grievance.
- Unresolved grievance gets escalated.
- Email alert sent to concerned entity on resolution/ escalation.
- Centrally monitored by PFRDA.

9.3. **Modes of raising Grievance**

The subscriber can raise grievance through any of the modes mentioned below:

- **Call Centre/Interactive Voice Response System (IVR)**
  - The Subscriber can contact the CRA call centre at **toll free telephone number 1-800-222080** and register the grievance by using T-PIN.
  - Dedicated Call centre executives.

- **Physical forms direct to CRA**
  - The Subscriber may submit the grievance in a prescribed format to the POP – SP who would forward it to CRA Central Grievance Management System (CGMS).
  - Subscriber can directly send form to CRA.

- **Web based interface**
  - The Subscriber may register the grievance at the website [www.npscra.nsdl.co.in](http://www.npscra.nsdl.co.in) with the use of the I-pin allotted at the time of opening a Permanent Retirement Account.
9.4. Process of Raising Grievance

![Diagram of Process of Raising Grievance]

9.5. Escalation Mechanism

CGMS has both automatic and manual escalation mechanism for monitoring the status of the grievance. The system has Maker-Checker concept in case of resolution of the entire ‘Escalated Grievances’. Where the subscriber is not satisfied with the resolution provided, he has the option to escalate the same to next higher level.

If the subscriber does not receive any response within 30 days or is not satisfied with the resolution by CRA, he/she can apply to the Grievance Redress Cell (GRC) of PFRDA.

*Complete address of the GRC of PFRDA is as under:*

Grievance Redress Cell

Pension Fund Regulatory and Development Authority

1st Floor, ICADR Building, Plot No 6, Vasant Kunj, Institutional Area, Phase – II,

New Delhi – 110070,

Tel no – 011 26897948-49, Fax: 011-26892417,

Email: grcpfrrda@gmail.com
9.6. Few Examples of Grievances

- Incorrect PRAN account details (on registration).
- Statement of Transaction not received.
- Change request updated incorrectly.
- Change request given but not updated in account.
- Switch instruction executed incorrectly.
- Switch instruction not executed.
- Delay in executing switch instruction.
- T-Pin/I-Pin not received.
- Request for duplicate PRAN card not initiated.
- Request for I-Pin/T-Pin reissue not initiated.
- Contribution amount not reflected in account.
- Incorrect contribution amount reflected.
10. How to enroll in NPS

To enroll in NPS, the subscriber shall approach POPs or POP-SPs of his/her choice. The list of POP-SPs is available at:

- PFRDA website: www.pfrda.org.in
- CRA website: www.npscra.nsdl.co.in

10.1. Eligibility Criteria for NPS

PFRDA has defined the eligibility criteria for the subscribers willing to join NPS. The subscribers who want to join NPS are subject to the following conditions for opening Tier I & Tier II account:

<table>
<thead>
<tr>
<th>Tier I Account</th>
<th>Tier II Account</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entry Age</strong></td>
<td>Min: 18 years; Max: 60 years</td>
</tr>
<tr>
<td><strong>Subscriber should be an Indian Citizen</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Subscriber should comply with the Know Your Customer (KYC) norms as detailed in the subscriber registration form</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Subscriber should not be holding any pre-existing account under NPS</strong></td>
<td></td>
</tr>
</tbody>
</table>

10.2. NPS registration Process

The subscriber shall collect the subscriber registration form (For Tier I & Tier II accounts) either from the nearest POP/POP-SP or download the form online from www.npscra.nsdl.co.in.

The subscriber has to fill the form and submit it to the choice of POP/POP-SP along with the relevant know your customer (KYC) documents. The list of KYC documents to be mandatorily submitted is as follows:

- **Proof Identity (Copy of any one)**
  1. School Leaving Certificate
  2. Matriculation Certificate
  3. Degree of Recognized Educational Institution
  4. Depository Account Statement
  5. Bank Account Statement / Passbook
  6. Credit Card
  7. Water Bill
  8. Ration Card
  9. Property Tax Assessment Order
  10. Passport
  11. Voter’s Identity Card
  12. Driving License
  13. PAN Card
14. Certificate of identity signed by a Member of Parliament or Member of Legislative Assembly or Municipal Councillor or a Gazetted Officer.

Note: Subscriber is required to bring original documents & two self-attested photocopies (Originals will be returned over-the-counter after verification)

- **Address Proof (Copy of any one)**
  1. Electricity bill
  2. Telephone bill
  3. Depository Account Statement
  4. Credit Card Statement
  5. Bank Account Statement / Passbook
  6. Employer Certificate
  7. Rent Receipt
  8. Property Tax Assessment Order
  9. Passport
  10. Voter’s Identity Card
  11. Driving License
  12. PAN Card
  13. Certificate of address signed by a Member of Parliament or Member of Legislative Assembly or Municipal Councillor or a Gazetted Officer.

Note: 1) Proof of Address mentioned in Sr. No. 1 to 7 should not be more than six months old on the date of application.

2) Subscriber is required to bring original documents & two self-attested photocopies (Originals will be returned over-the-counter after verification)

10.3. **Subscriber Enrollment Procedure**

- Subscriber fills and submits application form along with KYC Documents
- Submits first contribution along with form
- POP/POP-SP issues receipt number and gives back the NCIS slip to subscriber.
- POP/POP-SP submits the application and KYC documents to CRA/CRA-FC
- CRA
- Intimation of PRAN generation to POP/POP-SP
- Dispatch PRAN kit and IPIN/TPIN to subscriber
• Subscriber to approach the nearest POP/POP-SP and procure subscriber registration form.
• Subscriber to fill up the mandatory fields on the Subscriber registration form and submit the form along with KYC documents supporting Proof of identity, address and date of birth to POP-SP.
• Subscriber to make first contribution with a minimum amount of Rs. 500 for Tier I & Rs. 1000 for Tier II account.
• POP-SP issues receipt numbers acknowledgement to subscriber through which subscriber can track the status of application.
• In case of Composite Application Form (CAF), generation of PRAN by CRA and dispatch of PRAN kit including I-Pin, T-Pin to the subscriber by CRA.
• In case of only Tier II account, POP/POP-SP capture Tier II details online in CRA system and activates the Tier II account.
• Time frame for PRAN Generation
  o PRAN Generation within 7 to 10 days of receipt of application form by CRA
  o Dispatch of PRAN kit Within 15 days of submission of application form to POP/POP-SP

10.4. Usage of I-Pin & T-Pin

• Subscriber can use the I-Pin for the following:
  o Checking the status of application for registration and change of details submitted to POP-SP.
  o View statement of transactions online.
  o Logging of grievances against the POP-SP/CRA and track its status.

• Subscriber can use T-Pin for the following:
  o Check status of application for change of details submitted to POP-SP.
  o Logging of grievances against the POP-SP/CRA and track its status
11. Timelines in NPS

In order to ensure transparency in respect of the rights and obligations of the subscribers, PFRDA has laid down standard procedure and timelines to be strictly followed by the NPS intermediaries starting from submission of registration form along with initial contribution by the subscriber till the allocation of units into the subscriber's IRA account. The standard procedures and timelines are as follows:

11.1. Timelines for Subscriber Registration Process

The registration of the Subscriber in the NPS will be carried out through POP/POP-SP and CRA-FC (CRA Facilitation Centre) and CRA. Overview of subscriber registration along with the timelines to be adhered to while registering the subscriber is depicted below.

<table>
<thead>
<tr>
<th>Timeline (In days)</th>
<th>Process</th>
</tr>
</thead>
</table>
| T                 | Submission of the following by the subscriber to POP-SP  
|                   | • Application form  
|                   | • KYC documents  
|                   | • Initial contribution  
|                   | • NCIS  
|                   | POP-SP performs the necessary checks required for verification of application form and KYC documents.  
|                   | POP-SP issues the receipt as acknowledgement to the subscriber.  
|                   | POP-SP uploads the MIS in CRA system.  
| T+2               | Submission of forms & KYC documents to nearest CRA-FC/CRA by POP/POP-SP.  
| T+7 to T+10       | Intimation of PRAN generation to PoP by CRA through email or Incremental PRAN master downloadable file.  
| Within T+15       | Dispatch of PRAN kit and IPIN/TPIN to subscriber by CRA.  

T=Date of receipt of application form by POP/POP-SP

11.2. Timelines for Subscriber First Contribution Process (Cash/Non-cash contribution)

The first contribution process is initiated after the PRAN number for subscriber is intimated by CRA to POP/POP-SP. The overall process along with timelines is depicted below.

<table>
<thead>
<tr>
<th>Timeline (In days)</th>
<th>Process</th>
</tr>
</thead>
</table>
| T                 | Date of intimation of PRAN generation to POP/POP-SP by CRA  
|                   | POP-SP puts non-cash instruments for clearing  
| T (By EOD) for cash contribution OR | Upload of SCF on CRA system by POP/POP-SP |
### 11.3. Timelines for Subscriber regular Contribution Process (Cash/Non-cash contribution)

Subsequent to registration, a subscriber may submit NPS contributions along with NCIS for all funds which he/she intends to invest under NPS. POP-SP must ensure that the contribution amount at any time is minimum Rs 500 for Tier I and Rs.1000 for Tier II account. The timelines are given below.

<table>
<thead>
<tr>
<th>Timeline (In days)</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>T</td>
<td>Date of submission of contribution by subscriber to POP/POP-SP.</td>
</tr>
<tr>
<td></td>
<td>POP-SP puts non-cash instruments for clearing.</td>
</tr>
<tr>
<td>T (By EOD) for cash contribution OR T+X* for non cash Contribution</td>
<td>Upload of SCF on CRA system by POP/POP-SP</td>
</tr>
<tr>
<td>(T +1) for cash contribution OR (T+X*)+1 for non Cash contributions</td>
<td>POP/POP-SP remits subscriber contribution to Trustee Bank.</td>
</tr>
</tbody>
</table>

**X* = Time taken for clear funds**

### 11.4. Timelines for Fund Investment Process

This process is initiated when the TB receives funds from POP/POP-SP and transfer funds to the Pension Fund Managers for further investments. The detail process is depicted below.

<table>
<thead>
<tr>
<th>Timeline (In days)</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>(T +1) for cash contribution Or (T+X*)+1 for non Cash contributions</td>
<td>Receipt of funds to Trustee Bank by POP/POP-SP</td>
</tr>
<tr>
<td>(T +3) for cash</td>
<td>Trustee Bank uploads FRC in CRA system</td>
</tr>
</tbody>
</table>
| contribution OR  
(T+X*)+3 for non Cash contributions |  
| (T +4) for cash contribution  
Or  
(T+X)+4 for non Cash contributions | Trustee Bank remits funds to Pension Fund Managers.  

Pension Fund Manages invests money in market and declare day’s NAV.  

EOD of (T +4) for cash contribution  
Or  
EOD of (T+X*)+4 for non Cash contributions | Units credited into subscriber’s IRA account. |

\( T = \text{Date when contribution is submitted by subscriber at POP} \)  
\( X^* = \text{Time taken for clear funds} \)

12. References

- Pension Fund Regulatory Development Authority  
  [www.pfrda.org.in](http://www.pfrda.org.in)

- Central Recordkeeping Agency  
  [www.npscra.nsdl.co.in](http://www.npscra.nsdl.co.in)

- Important Documents  
  Registration Forms:  
  Visit [www.npscra.nsdl.co.in](http://www.npscra.nsdl.co.in) (Downloads ➔ Forms ➔ All Citizens of India)  

  Operating Guidelines & Standard Operating Procedure:  
  Visit [www.npscra.nsdl.co.in](http://www.npscra.nsdl.co.in) (Downloads ➔ SOPs ➔ All Citizens of India)
Annexure 3 – Forms

1. UOS-S1: Composite Application Form For Subscriber Registration

2. UOS-S10: Request for Activation of Tier-II account under NPS – IRA Compliant

3. UOS-S11: Request for Activation of Tier-II account under NPS – Non-IRA Compliant

4. SW – 1: Subscriber Declaration for Swavalamban Yojana

5. NPS Contribution Instruction Slip (NCIS)

6. UOS-S2: Request for Change/Correction in Subscriber Master details And/Or Reissue of I-Pin/T-Pin/PRAN Card

7. UOS-S3: Request for Scheme preference change and/or Switch

8. UOS-S5: Shifting of Subscriber

9. UOS-S7: Change in signature and/or change in photograph

10. UOS-S12: Withdrawal form for Tier II

11. ECS Mandate Form