

Frequently Asked Question- NPS-Corporate Model

(1) What is NPS Corporate Model?

NPS was launched in 2004 for Govt. employees as defined contribution Pension Scheme. PFRDA has now launched a separate model to provide NPS to the employees of corporate entities, including PSUs. This model is known as “**NPS – Corporate Sector Model**”.

(2) When was the NPS Corporate Model introduced?

NPS Corporate Model was introduced in December 2011.

(3) What are the distinctive features of NPS?

- **Prudentially regulated** - NPS is regulated by PFRDA, with transparent investment norms & regular monitoring and performance review of fund managers by NPS Trust.
- **Portable** – NPS account is portable across geographies and employment.
- **Flexible** – Flexibility to choose Point Of Presence, Pension Fund Managers, investment option, Annuity Service Provider and Annuity schemes.
- **Low Cost**: NPS is one of the world’s lowest cost pension schemes.
- **Simple and Web enabled/online**: All transactions can be tracked online through CRA system. Employee can check fund, NAV and contribution status through CRA website.

(4) Which types of entities/organizations can join NPS– Corporate Model?

- 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)
- Any body incorporated under any act of Parliament or State legislature or by order of Central / State Govt
- Proprietorship concerns
- Societies/Trusts

(5) Which are the intermediaries under NPS architecture?

The entities involved in NPS are as follows:-

- **NPS Trust:** The NPS trust has been constituted for taking care of the assets and funds held under NPS in the interest of the beneficiaries (subscribers). The Trust issues the investment guidelines and regularly monitors and review the performance of Pension Fund Managers.
- **Central Recordkeeping Agency (CRA):** Central Recordkeeping Agency performs various functions like recordkeeping, administration, issuance of PRAN and customer service functions for all subscribers of NPS. National Securities Depository Limited (NSDL) is the Central Record-keeper for the NPS.
- **Pension Funds (PFs):** The eight Pension Funds (PFs) appointed by PFRDA manage the retirement savings under the NPS.
- **Trustee Bank:** The Trustee Bank manages the banking functions of across various entities of the NPS system viz. PFs, ASPs, Subscribers, etc. Axis Bank has been appointed as the Trustee Bank.
- **Annuity Service Providers (ASPs):** ASPs would be responsible for delivering a regular monthly pension to the subscriber after exit from the NPS.
- **Point of Presence (POP):** Points of Presence (POPs) are intermediaries which are the interface between Corporate/Subscribers and the NPS architecture. The authorized branches of a POP, called Point of Presence Service Providers (POP-SPs), will act as collection points and extend the required customer services to NPS subscribers.
- **Custodian:** Stock Holding Corporation of India Ltd. (SHCIL), the Custodian is responsible for custody of underlying securities.

(6) What are the benefits to the employer in this model?

- The Corporate employer registered with the NPS, can claim tax benefits for the amount contributed towards pension of employees. From 1st April, 2012 upto 10% of the salary (basic and dearness allowance) of employers Contribution can be deducted as 'Business Expense'.
- The Corporate can save on their expenses incurred on formation of trust, management of funds and recordkeeping etc.
- Corporate can act as a facilitator to extend benefits of NPS to its employees
- Corporate may select the PF for its employees or leave the option to employees for selecting PF for themselves.
- Platform to co-contribute for employees' pension.

(7) What are the benefits available to the employees in this model?

- Cheapest investment product with better growth options through long term market-linked returns.
- Provides choice of various funds with a flexible investment patterns.
- Individual Retirement Account for record keeping at individual level ensures portability across geographies and employment.
- Employee's as well as Employer's contribution towards the NPS account of an employee is eligible for tax exemption as per the Income Tax Act, 1961 as amended from time to time.
- Additionally offers Tier II account which is a voluntary savings facility with anytime liquidity/withdrawal option.
- Offers choice of Pension Funds to subscriber with an option to switch every year.
- Efficient grievance management through CRA Website, Call Centre, 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.
- An option to remain invested even after retirement (deferred withdrawal option is available).
- Annuity can also be deferred for maximum period of three years.

(8) What types of account are available under this model?

Two types of accounts are available to the employees under this model:

- a) **Tier I account** – is a non-withdrawable account where the subscriber/employer/or both contributes savings for retirement. Tax benefit is available for both employer and employee contributions.
- b) **Tier II account** – is a voluntary savings account from which subscribers are free to withdraw his / her savings whenever he/she wishes subject to minimum contribution & balance.

(9) What are the minimum contributions to Tier I and Tier II account?

Minimum Contributions (For Tier-I)

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

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 per year -01

(Note :- Charges are applicable in case of default.)

(10) What are the possible variations of contribution by employee and employer under NPS?

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

(11) What happens to the investments if contribution is discontinued or minimum contribution is not met?

If contribution is discontinued and the subscriber wishes to exit from NPS before attaining the age of 60, he/she can withdraw upto 20% of the sum accumulated till that point of time. The subscriber has to buy annuity with the rest of the money from PFRDA empanelled Annuity Service Providers.

If minimum contributions are not made as stipulated, the account will be frozen and can be reactivated only by paying a default penalty along with arrear contribution.

(12) Is Tier II account mandatory for every employee?

No, it is optional and not mandatory.

(13) Where can corporate and underlying subscribers approach for registration under NPS- Corporate?

They can approach any of the designated branches of registered Point of Presence (POP) under NPS architecture. The list of POPs is available on PFRDA website www.pfrda.org.in and CRA (NSDL) website www.npscra.nsdl.co.in

(14) What are the tax benefits to the employees and the employer?

Tax benefits to employer:

Contributions made by the employer (upto 10% of Basic + DA) is allowed as a business expense under Section 36 (1) iv (a) of Income Tax Act 1961

Tax benefit to employee:

Employee's contribution – Eligible for tax deduction upto 10% of Salary (Basic + DA) under sec 80 CCD (1) within the overall ceiling of Rs. 1 Lac under Sec. 80 CCE.

Employer's contribution – Eligible for tax deduction upto 10% of Salary (Basic + DA) contributed by employer under sec 80 CCD (2) which shall be excluded from the limit of Rs. 1 lac provided under Sec. 80 CCE.

(15) What is POP and POP-SP? What is it's role?

POP is Point of Presence. It is the interface between the corporates/subscribers 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 corporates and transmission of the same to the designated NPS intermediaries.

(16) Who will be responsible for uploading the data & contribution?

The POP/ POP-SP selected by the corporate will facilitate the registration of the Corporate, registration of the employees, uploading the data& contribution.

(17) Is it possible for corporate to change POP?

Yes, the Corporate can change POP.

(18) What benefits would family of employee get when the employee covered under NPS expires during the service?

In such an unfortunate event, the nominee will receive 100% of the NPS pension wealth in lump sum.

(19) Who can select the Investment option Employee or Employer?

There is flexibility to select scheme either at Corporate level or Subscriber level. Corporate may opt for investment choice for its employee or leave the option to the employees.

(20) What is PFM?

PFMs are the Pension Fund Managers appointed by PFRDA who manage the retirement savings of the subscribers under NPS. The PFMs are required to invest strictly in accordance with the investment guidelines issued by PFRDA.

List of PFs (As on 10th June 2014)

LIC Pension Fund Limited
 SBI Pension Funds Limited
 UTI Retirement Solutions Limited
 Reliance Capital Pension Fund Limited
 ICICI Prudential Pension Fund Management Company Limited
 Kotak Mahindra Pension Fund Limited
 HDFC Pension Fund Ltd.
 DSP BlackRock Pension Fund Ltd.

(21) What are the investment options available under NPS Corporate?

1. Active choice - There are Individual Funds (E, C and G Asset classes). In active choice, the Subscriber has to select a Pension Fund Manager and has to mention the ratio of funds to be invested among E, C & G. A subscriber can specify the percentage in which his / her money is to be invested in these asset classes. However, allocation in Equity cannot be more than 50%.

Asset Class E- Investment in predominantly equity market instrument.

Asset Class C-Investment in fixed income instruments other than Government Securities

Asset Class G- Investment in Government Securities.

2. Auto choice - There is a Lifecycle Fund and the subscriber has to select a Pension Fund and his / her funds will be invested as per the Life cycle fund matrix on the basis of the age of the subscriber.

For both Tier I and Tier II, the subscriber has been given the flexibility to choose one out of eight Pension Funds (PFs) and also the percentage in which the selected PFM will invest the funds.

(22) Who can select the PFs? If the employer has made a choice of a PFs, then can the underlying employee choose any other PF ?

Corporate can select PF and investment choice centrally for all its employee or leave the choice to individual employees.

Once the employer has made choice of PF, it will be applicable to every underlying employee.

(23) Whether PF once selected can be changed?

Yes, PF can be changed once in a financial year.

(24) What is Auto Choice (Life Cycle Fund) ?

In this Investment Choice, subscriber has to select any one PF. After selection of PF, subscriber's funds will be invested as per the Life cycle fund matrix on the basis of the age of the subscriber. Allocation of fund across the asset class E, C , G at different age is given in the following table:

<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%

(25) How are the returns calculated in Tier I and Tier II account? Is there an assured return / dividend / bonus?

The total contribution remitted to subscriber's Tier I account and Tier II account is passed on to one of the PFs as selected by the subscriber at the time of registration (or changed subsequently). The PF invest the money in one or more asset class viz. Equity, Corporate Debt and Government Bonds in the ratio selected by the subscriber and declare Net Asset Value (NAV) at the end of each business day. Accordingly, based on the NAV, units are credited in the subscriber's account. The present value of the investment is arrived by the units held multiplied by the NAV.

The return under NPS is market driven. Hence, there is no guaranteed/defined return. The returns generated through investments are accumulated and are not distributed as dividend or bonus.

(26) What is Net Asset Value?

Also known as NAV, this is the price of one unit of a fund. NAV is calculated at the end of every working day. It is calculated by adding up the values of all securities and cash in the fund's portfolio (its assets), subtracting the fund's liabilities, and dividing that number by the number of units that the fund has issued. The NAV increases (or decreases) when the value of the fund's holdings increases (or decreases).

NAV of different PFs for similar scheme may differ. The different schemes under the same PF can have different NAV owing to investment in different asset classes.

(27) Can one exit before 60 years?

Yes, one can exit before 60 years but in that case he/she would get only 20% of the pension wealth as lump sum. The 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, which is empanelled by PFRDA.

(28) When an employee leaves the job, what would happen to Permanent Retirement Account Number (PRAN) a/c?

Employee can shift the corpus to new employer with same PRAN a/c if the new employer is already a registered entity under NPS. But if not, then employee can continue the PRAN a/c under All Citizen Model.

(29) In case if any employee resigns or leaves the organization within 5 years, can the employer contribution be forfeited?

No, there is no such provision under NPS.

(30) Whether employees have facility of Loan/advances under NPS? Whether lien can be marked on NPS account?

No, as per extant guidelines there is no such provision under NPS.

(31) In case of PF, employee can withdraw amount for the purpose of housing or Children's Marriage etc. Whether employees have such facility under NPS?

No, extant guidelines there is no such provision under NPS.

(32) How will an employee get pension after completion of 60 Years?

Employee has to invest minimum 40% of accumulated savings (pension wealth) to purchase a life annuity from Annuity Service Providers (ASPs). Employee will have to select one ASP from the ASPs empanelled by PFRDA and the annuity options available with the selected ASP .The remaining pension wealth can either be withdrawn in a lump sum on attaining the age of 60 or can be deferred and can be withdrawn between age of 60 and 70 years. Employees can also deferred annuity for maximum period of three years.

(33) What is annuity and what are the different types of annuities providing for monthly pension available to the subscribers of NPS?

An annuity is a financial instrument which provides for a guaranteed payment on monthly/quarterly/annual basis for the chosen period for a given purchase price or pension wealth. In simple terms, it is a financial instrument which offers monthly/quarterly/annual pension at a guaranteed rate for the period you chose. Currently, only the registered life insurers offer annuities in Indian Market. Annuity Service Providers provide the following type of annuities to the subscribers of NPS and subject to the conditions like stipulated minimum corpus, age at entry etc:

1. Pension (Annuity) payable for life at a uniform rate to the annuitant only.
2. Pension (Annuity) payable for 5, 10, 15 or 20 years certain and thereafter as long as you are alive.
3. Pension (Annuity) for life with return of purchase price on death of the annuitant (Policyholder).

4. Pension (Annuity) payable for life increasing at a simple rate of 3% p.a.
5. Pension (Annuity) for life with a provision of 50% of the annuity payable to spouse during his/her lifetime on death of the annuitant.
6. Pension (Annuity) for life with a provision of 100% of the annuity payable to spouse during his/her lifetime on death of the annuitant.

(34) Which are the Annuity Service Providers (ASPs) empaneled by PFRDA?

The following Insurance companies providing annuity services have been empaneled by PFRDA as Annuity Service Providers (ASPs):

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

(35) Who can select ASP? Employee or Employer?

The option to select the ASP and the annuity scheme lies with the employee.

(36) In case of normal retirement, how much time it would take to start Pension?

The pension payment would start from the next month after the subscriber chooses the Annuity Service Provider, Annuity Scheme and furnishes all the necessary documents related to it.

(37) Whether Nomination facility is available under NPS-Corporate Model?

Yes, Nomination can be made by the employee.

(38) Who can be a Nominee, how many nominees can be there and how are the details to be filled in the form?

Only an Individual can be a nominee. Subscriber will be allowed to register upto three nominees only. Subscriber cannot fill the same nominee details more than once. Percentage share value for all the nominees must be integer. Decimals/fractional values shall not be accepted in the nomination(s). Sum of percentage share of all the nominees must be equal to 100. If sum of percentage is not equal to 100, all nomination will be rejected. If a nominee is a minor, then nominee's date of birth and guardian details are mandatory. The registration of nominee details will not be done unless all details are duly filled up in the form.

(39) Can a minor be a nominee?

Yes, minor can be a nominee. In such case, the subscriber will be required to provide guardian's details and date of birth of the minor.

(40) What are the different Charges involved?

Under NPS-Corporate, there is a provision to pay the charges by the employer or the employee. The charges are as under:

Intermediary	Charge Head	Service Charge	Method of Deduction
POP	Initial Subscriber Registration	Rs. 100	To be Collected Upfront
	Initial Contribution	0.25% Min: Rs. 20 & Max : Rs.25,000	
	All Subsequent Contribution		
	All Non-Financial Transaction	Rs. 20	
CRA	PRA Opening (One Time)	Rs. 50	Through NAV cancellation/deduction
	PRA Maitenance (Per Annum)	Rs. 190	
	Per Transaction (Financial/Non-Financial)	Rs. 4	
Custodian	Asset Serving (Per Annum)	0.0075%	
PFM	Investment Management (Per Annum)	As Charged by PFM (Subject to ceiling of 0.25%)	

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

(41) What is the process of registration of corporates?

Corporate Registration Process

The Corporate desirous of extending NPS to their employees would need to tie up with POP.

The corporate would submit the CHO-1 form to the POP. Post necessary due diligence on the status of the corporate, POP would submit the duly certified form to CRA (NSDL).

CRA would register the corporate in the CRA system and allot Entity Registration Number which would be reflected in each Subscriber Registration Form (CS-S1)

Employee Registration Process

- Employees would submit the following documents to the nearest POP branch for Subscriber Registration and PRAN generation
 - 1) Duly filled CS-S1 Form duly attested by HR
 - 2) KYC as prescribed by PFRDA.
 - 3) First contribution of Rs.500 (in the form of Cheque/Demand Draft/Bankers' Cheque)

(42) Which forms are required for registration of employee and employer?

There is a separate form for registration of employee and employer. Form CHO-1 is for corporate registration and form CS-S1 is for employee's registration.

(43) Whether KYC compliance is required for employee and employer separately?

KYC compliance is mandatory for registration of employee as well as employer.

