



National Pension System for Corporate Sector



Pension Fund Regulatory and Development Authority

PFRDA, First Floor, ICADR Building, Phase II, Plot No 6, Vasant Kunj Institutional Area, New Delhi-110070

Presentation Topics

- **Indian Pension Scenario**
- **National Pension System**
 - Milestones
 - Sectors at a Glance (NPS Statistics)
- **NPS Corporate Model**
 - Basic Features & Eligibility
 - Registration Process
 - Asset Classes
 - Contribution & Investment Options
- **Tax Benefits**
 - To Employers & Employees
 - Additional Tax Benefits to NPS Subscribers
- **Charges**
- **Exit & Withdrawal**

Indian Demographic Scenario



- By 2050, every fifth Indian will be 60 years old compared to one in 12 today.
- There are nearly 100 million people aged 60 or more in India today. The number will TRIPLE by 2050; most of them financially insecure in the sunset years if a social security net doesn't start NOW.
- The Need of the Hour- A multifold increase in pension coverage to private sector.

Indian Pension Sector Scenario



- Formal Pension coverage to mere 12% of the population i.e. approx. 1 in every 8.
- Most of the formal pension coverage available to Government employees.
- For Corporate sector, mainly EPS under EPFO is available as pension product, mandatory* for the employees earning upto Rs. 15,000/- p.m.

*- Changes proposed in this vide Budget 2015-16 discussed later

NPS Milestones

February 2003

Announcement of National Pension System (NPS) based on Defined Contribution; mandatory for CG employees joining on or after 01-01-2004.

December 2003

Notification for setting up a statutory Pension Fund Regulatory and Development Authority, brought about.

May 2009

NPS made available to all citizens of India on May 01st 2009.

December 2011

A customized version of NPS, known as NPS-Corporate Sector Model introduced.

September 2013

PFRDA Act, 2013 passed in Parliament.

February 2014

Notification of PFRDA Act, 2013.

National Pension System

Age Group

0 to 18

18 to 60

60 Onwards

nps
national
pension
system

NPS provides a platform for saving to create corpus, to enable subscriber for purchasing Annuity post retirement

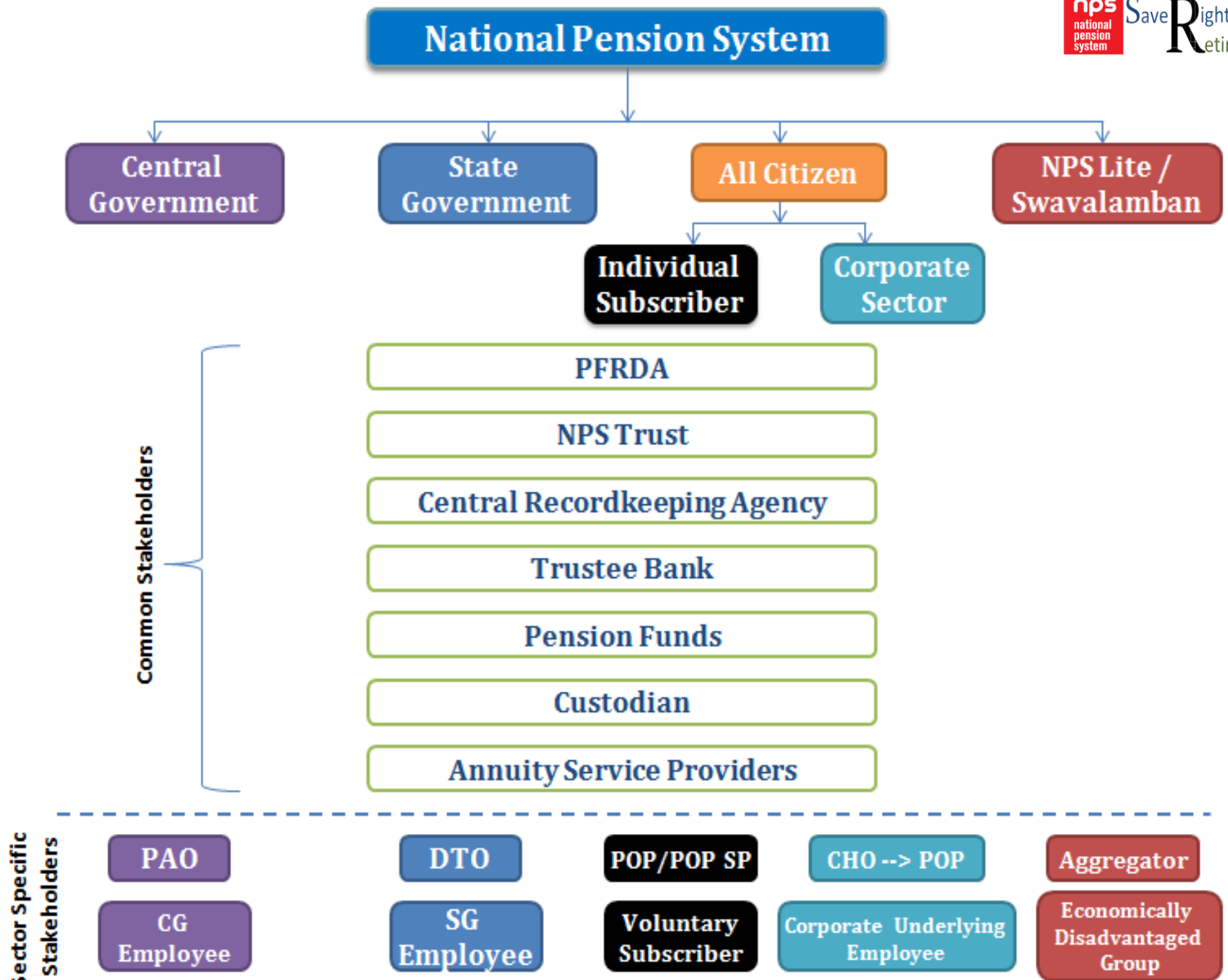
What is NPS ?

A highly efficient, technology driven system to save small amounts today, to build a fund for life's second innings.

Who Can Join ?

You can join, if you are any or all of the following:

- Citizen of India; Resident or Non-Resident
- Age between 18-60 years, as on date of joining
- Salaried or Self Employed
- Complies with KYC norms

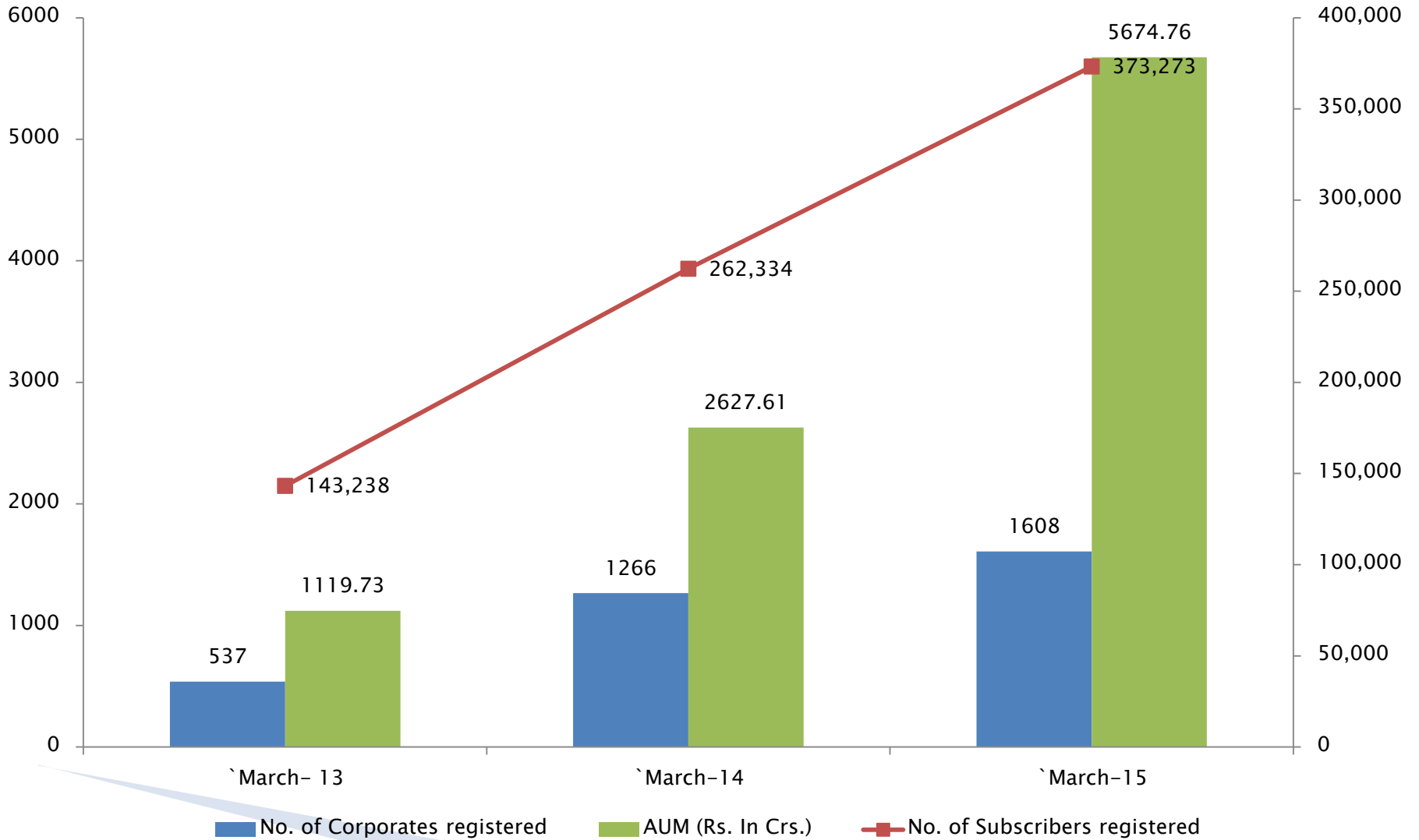


NPS– All Sectors at a Glance

Sector	Number of Subscribers (In Lacs)	Contribution (Rs Crores) (A)	Total Assets Under Management (Rs Crores)
Central Government	15,11,528	27,458.07	36,736.80
State Government	26,30,194	29,702.31	36,243.85
Corporate	3,73,273	4,800.78	5,674.76
Unorganized	86,774	497.20	593.99
NPS Lite	41,46,880	1,380.00	1,605.73
Total	87,48,649	63,838.36	80,855.13

As on March 31st 2015

NPS-Corporate Model Growth



As on March 31st 2015

NPS Corporate Sector Model

- PFRDA launched a separate model to provide NPS to the employees of corporate entities, including PSUs , during Dec 2011.
- Customized version of the Core NPS Model to suit various Organizations.
- Existing as well as new employees can be brought under NPS platform.
- NPS can be run parallel to Superannuation, Gratuity, PF, EPF and any other pension schemes offered to the employees of organized entities.
- In the Budget it has been announced that employee will be given option to choose between EPF and NPS.

Basic Features

Built on a highly efficient, technology driven platform

Attractive Tax Benefits for Employees and Employers*

Prudentially Regulated by PFRDA

Safe, Secure and Easily Portable

Unmatched Lowest cost of Investment*

Attractive Market Linked Returns

Investments managed by experienced Pension Funds

*- Discussed in detail, later in the presentation

Types of Accounts

Tier-I account: Employer / Employee contribute for retirement into this non-withdrawal account. Income Tax benefits as per IT Act, 1961 available for both employer and employee contributions.

Tier-II account: Voluntary savings facility, where the subscriber can avail fund management facility at very low costs. Subscribers are free to withdraw amount from this account. However, tax benefits are not available.

Particulars	Tier I	Tier II
Option of Selection of the Account	Mandatory	Optional
Withdrawal Facility Available	No	Yes
Minimum Contribution at the time of A/c Opening	Rs.500	Rs.1,000
Minimum Amount for Subsequent Contribution	Rs.500	Rs.250
Minimum Contribution Required Per Year	Rs.6,000	Rs.2,000*
Minimum No of Contribution Per Year	1	1
Frequency of Contribution Permitted	Unlimited	Unlimited


Note : *Total Corpus of Rs.2000/- is required at the end of Financial Year.

NPS Corporate– Eligibility

Eligible entities to register under NPS Corporate Model

- Entities registered under Companies Act
- Entities registered under various Co-operative Acts
- Central & State Public Sector Enterprises
- Registered Partnership firms & Limited Liability Partnerships (LLPs)
- Any entity incorporated under any act of Parliament or State legislature or by order of Central / State Govt.
- Proprietorship concern
- Society/Trust

Corporate Registration Process


- 
- Corporate has to select POP and tie-up with it.
 - The Corporate submits the CHO-1 Form to the POP.
 - POP would submit the form to CRA
 - CRA registers the Corporate in the CRA system and allots “Corporate Registration Number” (CRN) to Corporate.

POP- Corporate Registration Process

New Initiative Proposed vide POP Regulations, 2015

As per Regulation, the following entities may opt for registration as a Point of Presence-Corporate:

- Central and State PSUs
- Any other entity, organization or company with minimum employee strength of three hundred



• Corporate will be required to submit specified application alongwith Rs.10,000/- for registration as POP- Corporate

• After verification and necessary due diligence, PFRDA will grant the **Certificate of Registration as POP- Corporate** to the corporate

• The Corporate submits the CHO-1 Form to the CRA.

• CRA registers the Corporate in the CRA system and allots “Corporate Registration Number” (CRN) to Corporate.

Duties and Responsibilities of POPs

As per Regulation–

- KYC Verification,
- Addressing/ handling queries/ grievances of subscribers (existing/potential),
- providing & displaying information regarding NPS
- point of interaction between subscriber and the CRA
- receive & process, with adequate checks, the applications of subscribers for registration under NPS
- collection, transmission of contribution funds within specified timeframes to the TB and maintenance of complete records of transactions
- Handling withdrawal requests

Subscriber Registration Process



- Employees fill up & submit CS-S1 forms with required KYC Documents to Corporates (employer).
- Corporate verifies the employment details and sends these forms to the attached POP.
- POP does KYC verification and sends these forms to CRA.
- CRA registers the employees and generate PRAN.
- PRANs are dispatched to Corporate or employees as per their choice.

Flexible Contribution Options



Three flexible variations of contributions from employer and employee

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

Investment Options

Investment Option can be exercised at



At Corporate Level



At Subscriber Level

Investment Options

Selection of Investment Option



1. Selection of Pension Fund

2. Selection of Investment Choice
(Selection of Asset Mix of E, C & G)



Selection of Pension Fund

Selection of any one PF out of the following:

SBI Pension Funds Pvt. Limited

LIC Pension Fund Limited

UTI Retirement Solutions Limited

ICICI Prudential Pension funds Management Company Limited

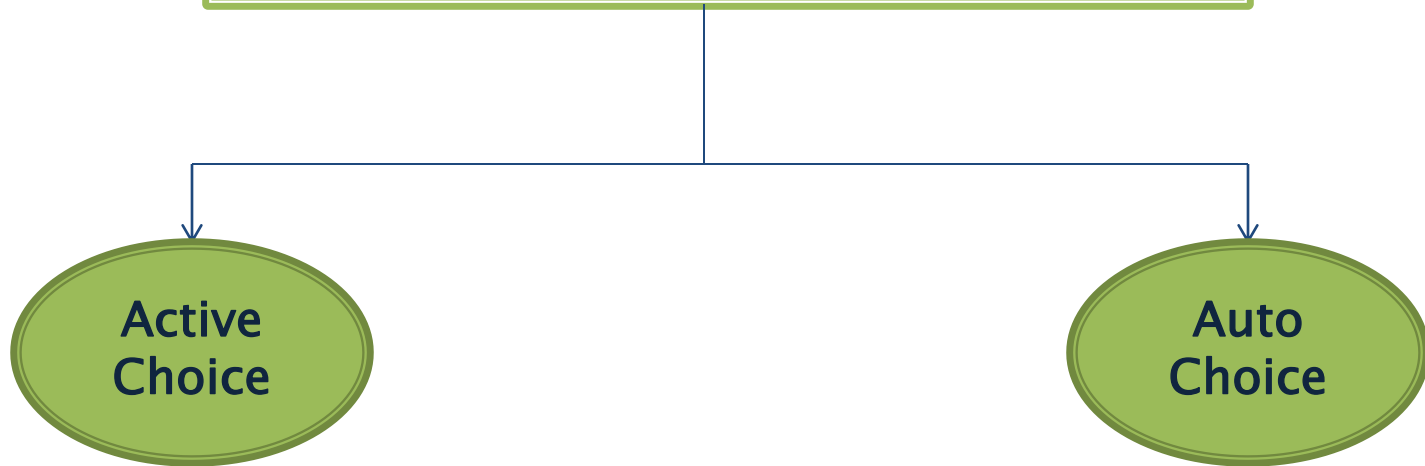
Kotak Mahindra Pension Fund Limited

Reliance Capital Pension Fund Limited

HDFC Pension Fund Limited

Pension fund to be incorporated by Birla Sun Life Insurance company limited

Selection of Investment Choice



Subscriber selects the allocation of his / her funds among 3 Asset Classes, with contribution in Asset Class E be restricted to 50% of total Contribution.

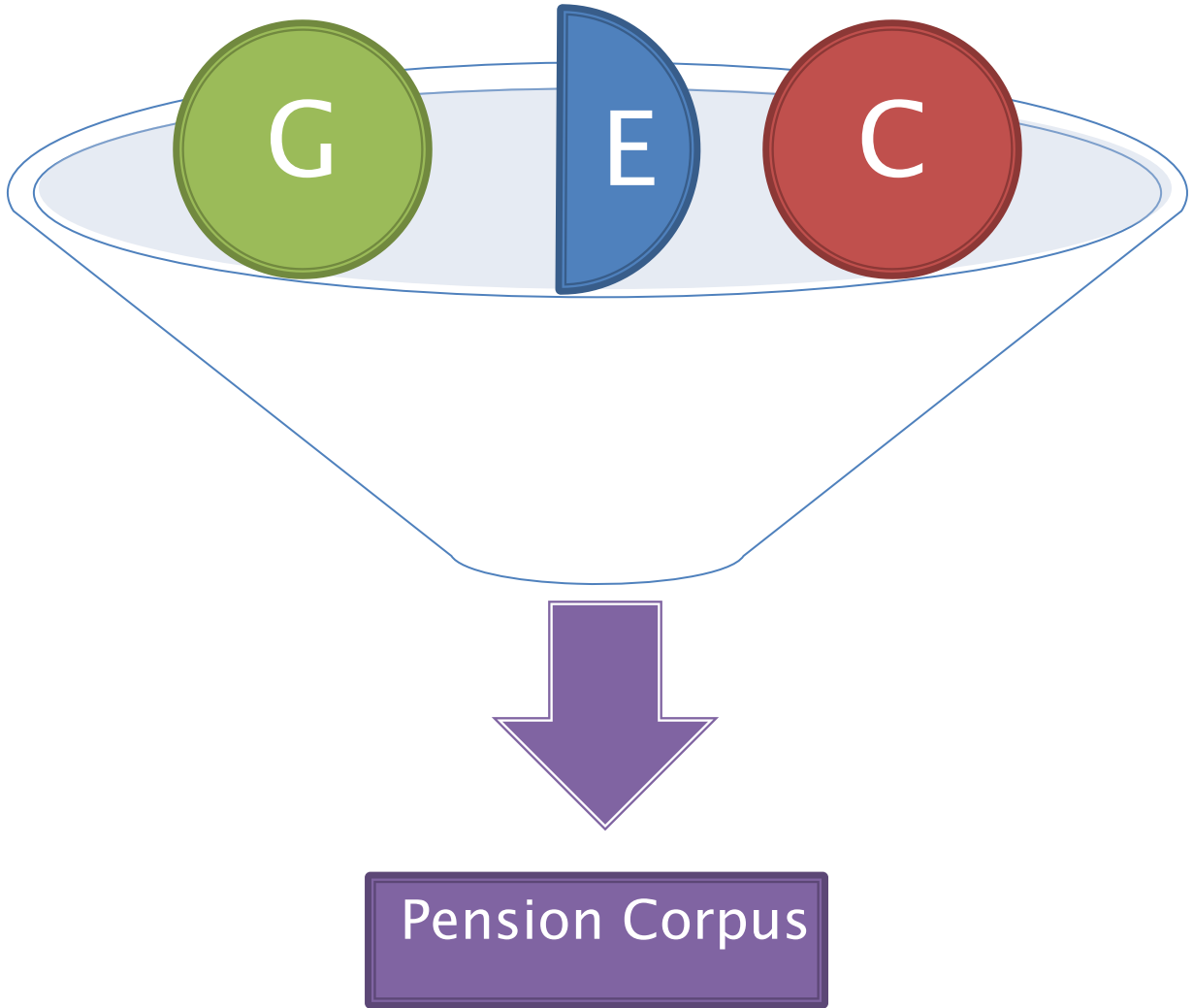
Fund invested, divided among 3 Asset Classes determined by a Pre-Defined portfolio ratio.

Active Choice

G-Secs
Up to 100%

Equity
Up to 50%

Corporate Debt
Up to 100%



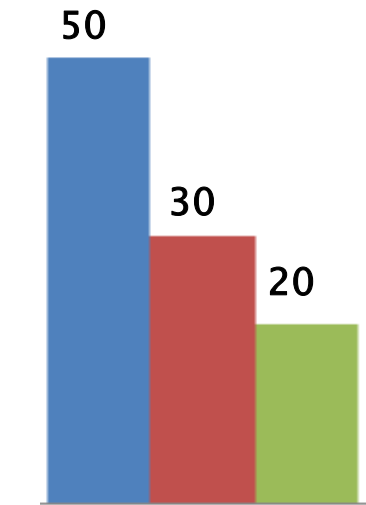
Auto Choice- Life cycle Fund

E

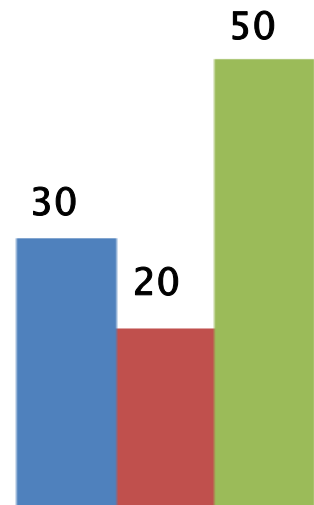


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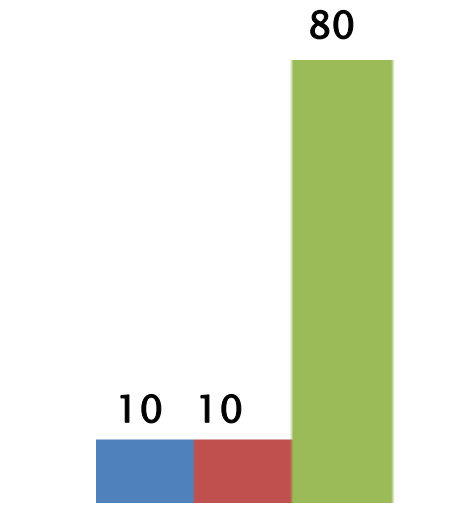
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Age- upto 35 years



Age- 45 years



Age- 55 years & above

Tax Benefits

To Employers

- 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.

To Employees

- Employees own contribution is eligible for tax deduction under sec 80 CCD (1) of Income Tax Act up to 10% of salary (Basic + DA). This is within the overall ceiling of Rs. 1.50 Lacs under Sec. 80 CCE of the Income Tax Act.
- Employee also gets tax deduction for the contribution made by the employer under section 80 CCD (2) of IT act upto 10% of salary (Basic + DA) which is in addition to the tax benefits available under Sec. 80 CCE.

Additional Tax Benefits to NPS Subscribers

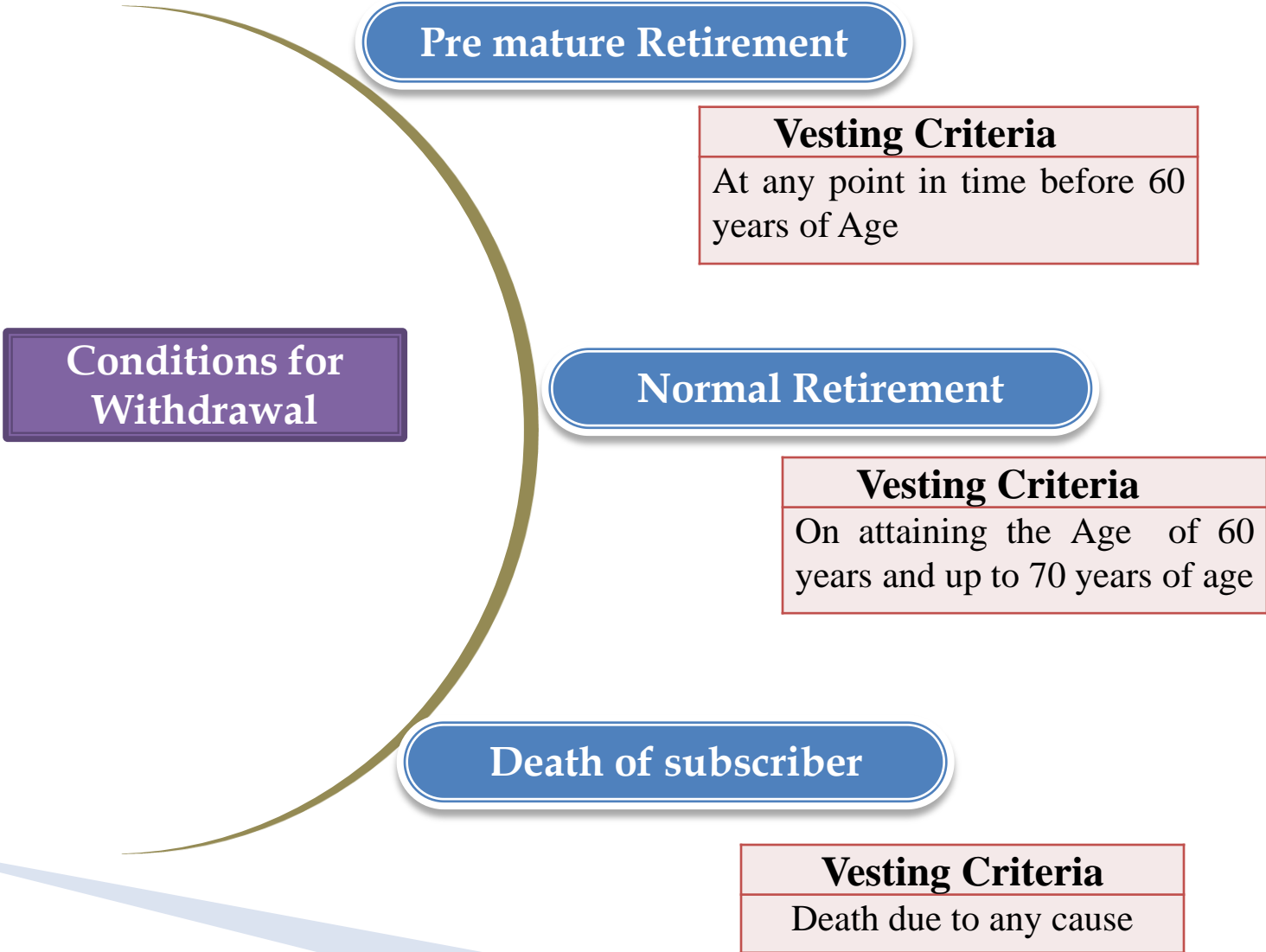
Budget 2015–16 Announcements and resultant Tax Benefits

- Tax deduction limit under sec 80 CCD (1) ceiling raised from Rs. 1.00 Lac to Rs. 1.50 Lacs.
- From F.Y. 2015–16, subscriber will be allowed tax deduction in addition to the deduction allowed under Sec. 80CCD(1) for additional contribution in his NPS account subject to maximum of Rs. 50,000/- under sec. 80CCD 1(B).
- Effective Tax benefits in NPS has increased on investments from Rs. 1.00 Lac in FY 2014–15 to Rs. 2.00 Lacs in FY 2015–16.

Charges

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)	0.01%	

Exit & Withdrawal (As per extant guidelines)



Exit & Withdrawal

(As per Proposed Draft Regulations)

Vesting Criteria	Benefit
At any point in time before 60 years of Age (allowed to subscriber who have been in NPS for at least 10 years)	Compulsory Annuitisation– minimum 80% Lump sum withdrawal– maximum 20% If Corpus < Rs. 1.00 Lac, complete withdrawal
On attaining the Age of 60 years or age of superannuation as prescribed in service rules) and upto 70 years of age	<p style="text-align: center;">Annuitisation– minimum 40% Lump sum withdrawal– maximum 60% If Corpus < Rs. 2.00 Lac, complete withdrawal</p> <ul style="list-style-type: none"> – Subscriber can stay invested in the NPS upto the age of 70 years. Fresh contributions are allowed during such a period of deferment. – Can defer the withdrawal of eligible lump sum amount till the age of 70 years. –Annuity purchase can also be deferred for maximum period of 3 years at the time of exit.
Death due to any cause	In such an unfortunate event, option will be available to the nominee to receive 100% of the NPS pension wealth in lump sum. However, if the nominee wishes to continue with the NPS, he/she shall have to subscribe to NPS individually after following due KYC procedure.

Partial Withdrawal

Subscriber will have the option to withdraw up to 25% of his own contribution in certain circumstances.

Annuity Service Providers

Empanelled ASPs

Life Insurance Corporation of India

SBI Life Insurance Co. Ltd.

ICICI Prudential Life Insurance Co. Ltd.

Bajaj Allianz Life Insurance Co. Ltd.

Star Union Dai-ichi Life Insurance Co. Ltd.

Reliance Life Insurance Co. Ltd.

HDFC Standard Life Insurance Co. Ltd.

