

Pension Fund Regulatory and Development Authority

PRESS RELEASE

27th November, 2007

The Pension Fund Regulatory and Development Authority (PFRDA) and National Securities Depository Limited (NSDL) entered into a formal agreement on 26th November 2007 relating to the setting up of a Central Recordkeeping Agency (CRA) for the New Pension System (NPS). The NPS was introduced by Government of India for its new recruits (excepting the Armed Forces) w.e.f 1st January 2004.

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

(i) Recordkeeping, Administration and customer service functions for all subscribers of the NPS.

(ii) Issue of unique Permanent Retirement Account Number (PRAN) to each subscriber, maintaining a database of all PRANs issued and recording transactions relating to each subscriber's PRAN.

(iii) Acting as an operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trustee Bank etc.

3. An important feature of the PRAN to be issued by CRA is that it shall be portable across jobs and geographical locations. As per the agreement entered into between PFRDA and NSDL, the building up of CRA operations shall be complete in six months. Accordingly, CRA operations are expected to commence in respect of Central Government employees w.e.f 1st June, 2008. It shall also be open to State Governments and Union Territories to participate in this facility.

4. NSDL's appointment as CRA is for ten years against payment of an annual fee of Rupees Ten lakh. In terms of the agreement entered into, NSDL shall be charging a volume driven and highly competitive fee for rendering CRA services to the subscribers of the NPS. The Annual Maintenance Charges and

Transaction Charges payable per subscriber shall be Rs. 350 and Rs. 10 respectively (till such time as the number of accounts with the CRA reaches ten lakh); Rs. 280 and Rs. 6 respectively (on the threshold limit of ten lakh accounts being reached) and Rs. 250 and Rs. 4 respectively once the number of accounts with the CRA reaches thirty lakh. In addition, NSDL shall be charging a fee of Rs. 50 per account as account opening charges. The Central Government have decided to bear these charges in respect of their employees covered under the NPS.

5. PFRDA have also appointed, through a process of competitive bidding, State Bank of India (SBI), UTI Asset Management Company (UTI-AMC) and Life Insurance Corporation (LIC) as Pension Fund sponsors under the NPS. LIC have already incorporated their Pension Fund and SBI and UTI - AMC are expected to complete the process by 15th of December 2007. Once the NPS architecture becomes fully operational, the NPS corpus of Central Government employees will be distributed amongst the three Pension Funds based on the initial investment management fee and transaction based charges quoted by these entities. The three entities will be performing the investment management functions for a fee varying from three to five basis points. The appointment of the Pension Funds shall be for a period of three years. The arrangements relating to distribution of NPS corpus shall, however, be reviewed at the end of each year based on the returns on investment generated by each Pension Fund Manager (PFM) and the investment management fee quoted.

6. At the initial stages, there shall be two Investments options available under the NPS. The subscribers shall have the option of having their pension contributions either invested fully in Government bonds and securities or in accordance with the investment guidelines for non-Government Provident Funds issued by Government of India vide their notification dated 24th January, 2005. The said notification allows investment of funds upto 5% into equity and another 10% in equity linked mutual funds.
