

# National Pension System

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# NPS- Introduction and Journey

National Pension System (NPS) is a voluntary, defined contribution retirement savings scheme designed to enable the subscribers to create future corpus through systematic savings during their working life.

National Pension System (NPS) was created by an Act of Parliament and its administered and regulated by Pension Fund Regulatory and Development Authority (PFRDA).

- 📍 1<sup>st</sup> January 2004- NPS was launched by Government of India for Government employees.
- 📍 1st May 2009- NPS was opened for all citizens under “All Citizen Model”
- 📍 December 2011- Corporate Sector Model was launched



# NPS- Benefits To the Subscriber



‘National Pension System’ (NPS) launched by **GOI** in **2004** based on **defined contributions** in respect of all new employees to Central Govt. services.

NPS is an effort of the government towards **sustainable solutions to provide retirement income**

# Types of Contributions

Types of Contribution	Tax Benefit	Capping on Tax benefit	Applicable Tax Regime
<b>Subscriber's own Contribution over and above 80C</b> 	Subscriber is allowed deduction in addition to the deduction allowed under Sec. 80CCD(1) for additional contribution in his NPS account subject to maximum investment of <u>Rs. 50,000/-</u> under sec. 80CCD 1(B).	No capping on investment, but the tax benefit is limited only up to Rs.50, 000/-	Old Tax Regime
<b>Employer Contribution over and above 80C</b> 	The employee is eligible for tax deduction upto 10% of Salary (Basic + DA) to an extent of Rs. 7,50,000 contributed by employer under Sec 80 CCD(2) over and above the limit of Rs. 1.50 lakhs provided under Sec 80 CCE.	Aggregate amount of any contribution made by the employer in a recognized Provident Fund, NPS and an approved Super Annuation fund up to Seven Lakh and Fifty Thousand Rupees.	Old and New Tax regime
<b>Subscriber's own Contribution within 80C</b>	Eligible for tax deduction up to 10% of Salary (Basic + DA) under Section 80 CCD(1) within the overall ceiling of Rs. 1.50 lakhs under Sec 80 CCE.	No capping on investment, but the tax benefit is capped only up to 10% of basic.	Old Tax Regime



# Types of NPS Accounts

Particulars	Tier 1 Account	Tier 2 Account
Type of Account	Mandatory	Voluntary
Tax Benefits	Yes	No
Contributions	Can be a Mix of - Only Voluntary - Only Employer - Both Employer and Employee	Only Voluntary
Withdrawal Facility	No	Yes
Minimum contribution for A/c Opening	INR 500	INR 1000
Minimum Subsequent Contribution	INR 500	INR 250
Minimum contribution/ Balance at the end of the year	INR 1000	INR 0
Minimum number of contributions	1	1
Frequency of Contributions	Unlimited	Unlimited

Contribution made through Company Payroll is termed as “Employer Contribution.”

And, contribution made by self is termed as “Voluntary Contribution”.





# Choice of Pension Fund Managers

A subscriber is free to select a PFM of his choice and it can be changed twice in a Financial Year.

- HDFC Pension Management Company Limited
- ICICI Prudential Pension Funds Management Company Limited
- Kotak Mahindra Pension Fund Limited
- LIC Pension Fund Limited
- SBI Pension Funds Pvt. Ltd
- UTI Retirement Solutions Limited
- Birla Sunlife Pension Management Limited

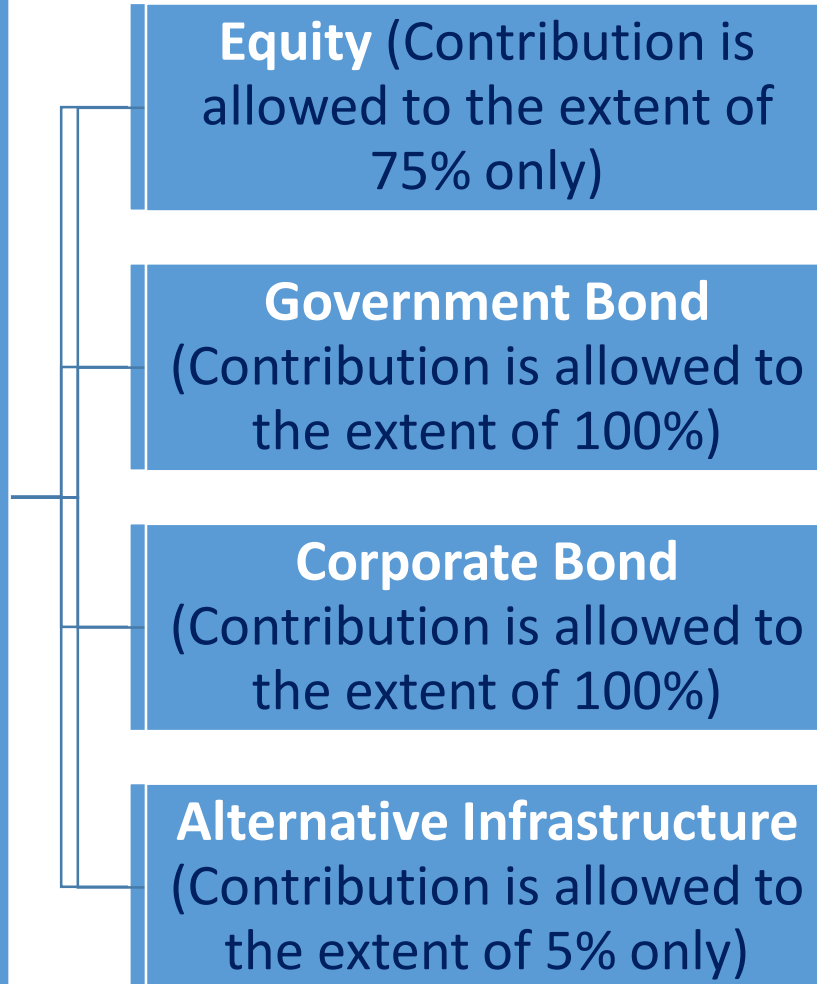
Click here to check the latest PFM performance

<https://www.hdfcsec.com/latest-returns-nps>



# Investment in Asset Classes

There are 4 asset classes



Similar to Mutual funds, under the NPS, individual savings are pooled in to a pension fund which are invested by PFRDA regulated professional fund managers as per the approved investment guidelines in to the diversified portfolios comprising of Government bonds, Bills, Corporate Debentures and Shares.



# Investment Choice for Asset Allocation

The Corporate as well as the Subscriber can have any of the two choices for their asset allocation:

**Active Choice:** Subscriber, as the case may be, will have the option to actively decide as to how the NPS pension wealth is to be invested across Asset class E (upto 75%), Asset Class C (100%), and Asset Class G (100%).

**Auto Choice:** In this option, the investments will be made in a life-cycle fund. Here, the proportion of funds invested across three asset classes will be determined by a pre-defined portfolio (which would change as per age of subscriber).

There are three different options available within 'Auto Choice' –

- AGGRESSIVE – LC 75- Equity exposure up to 75%
- MODERATE – LC 50- Equity exposure up to 50%
- CONSERVATIVE – LC 25- Equity exposure up to 25%

A subscriber is free to switch/ change its Investment Choice twice in a FY





# Liquidity- Partial Withdrawals

- ✓ Partial withdrawals are allowed on completion of 3rd Year in NPS
- ✓ Maximum of 25% can be taken three times during the entire tenure as Tax Free
- ✓ Accessible to the total amount invested in an individual capacity.
- ✓ Withdrawal is allowed Subject to conditions-
  - Children higher education
  - Marriage of Children
  - Purchase /construction of house
  - Critical illness (including Covid 19)
  - Disability of more than 75%
  - Skill Development or re-skilling any other self-development activities
  - Establishment of own venture or start up.



# Liquidity- Premature Exit

- ✓ Subscriber may exit NPS only after completion of 10 years.
- ✓ Only 20% of the total corpus can be withdrawn
- ✓ Subscriber can invest/annuitize at least 80% of the pension wealth to purchase a life annuity from any PFRDA empanelled Life Insurance Company.
- ✓ If Corpus < Rs. 1.00 Lac, complete withdrawal may be opted.
- ✓ Once Withdrawn, NPS account will be closed.



# Maturity and Superannuation

- ✓ Up to 60% of the total corpus can be withdrawn as lump sum and Tax Free.
- ✓ Minimum 40% must be used for buying annuities from an approved annuity service provider.
- ✓ At the age of 60 years, withdrawal up to 100% is allowed subject to corpus is less than or equal to Rs. 2 lakhs.
- ✓ Can extend the investment up to age of 70 years.
- ✓ Fresh contributions are allowed during such a period of deferment.



# Withdrawal In case of Death

## Before Maturity

In case of Unfortunate demise of the subscriber before completion of 60 years/maturity, the nominee can withdraw the 100% of corpus.

## After Maturity

Nominee / Legal heir would receive the death proceeds as per the selected annuity plan (pension).



# Annuity Service Providers

Annuity Service Providers (ASPs) are appointed by PFRDA to maintain the annuity contribution of subscribers through their various schemes and they are responsible for delivering a regular monthly pension (annuity) to the subscriber post maturity. Below are the 7 ASPs.

- HDFC Life Insurance
- Life Insurance Corporation Of India
- ICICI Prudential Life Insurance
- SBI Life Insurance
- Star Union Daichi Life Insurance
- Kotak Mahindra Life Insurance Co. Ltd
- India First Life Insurance co. Ltd





# Fees and Charges *(excludes applicable taxes)*

Intermediary	Charge head	Service Charge	Mode of Deduction
POP_HDFC securities	Initial Subscriber Registration	Rs. 200	Collected upfront from the first contribution
	Initial Contribution	0.25 % of the contribution value or Min: Rs. 20 and Max. Rs. 25,000	
	All subsequent Contributions		
	Any Non- Financial Transaction	Rs. 20	
CRA	Charge head	Service Charges NSDL	Collected through NAV cancellation/ Deduction
	PRA Opening charges	Rs. 40	
	Annual PRA Maintenance cost per account	Rs. 95	
	Charge per transaction	Rs. 3.75	
Custodian SHCIL	Asset Servicing (Per Annum)	0.0032%	
PFM	Investment Management (Per Annum)	Maximum Cap by PFRDA is 0.01% pa	
NPS Trust	For Managing Expenditure	0.005% of the fund value	



# Account Opening and Shifting Process

## New Account Opening

Click-

<https://mynps.nsdl.com/myNPS/NationalPensionSystem.html?appType=main&authId=ZTZWVDRPcFNtYXJWRnNGeEx3QT09>

You need -

- Update Mobile Number linked to UID
- Jpeg image of PAN card
- Jpeg image of specimen signature
- Jpeg image of Cancelled cheque

- ✓ Once PRAN is generated, Subscriber receives the intimation via Email and SMS.
- ✓ Subscriber also gets PRAN kit from NSDL CRA within 30 days of PRAN generation.

## Mapping / Shifting of an Existing PRAN

Kindly raise a request to your Nodal Officer (HR Team) with below details

- Full Name
- Employee Code
- PRAN
- Date of Joining
- Date of Retirement
- Date of Birth



# NPS Contact Points and Escalation Matrix

Account status and subscriber queries	NPS Customer Care			022- 39019400
Account status and subscriber queries	Corporate Relationships Help Desk	Aneesha Choubey	<a href="mailto:corporaterelationships@hdfcsec.com">corporaterelationships@hdfcsec.com</a>	022- 30753495
Product related queries and Service issues	South & West	Dhiraj Shetty	<a href="mailto:dhiraj.shetty@hdfcsec.com">dhiraj.shetty@hdfcsec.com</a>	
	North	Sangeeta Yadav	<a href="mailto:sangeeta.yadav@hdfcsec.com">sangeeta.yadav@hdfcsec.com</a>	
	East & West	Vineeta Upreti	<a href="mailto:vineeta.upreti@hdfcsec.com">vineeta.upreti@hdfcsec.com</a>	
Contributions and Withdrawals	Shyam Jadhav	Gorakh Maske	<a href="mailto:nps@hdfcsec.com">nps@hdfcsec.com</a>	022 30750017
		Shyam Rao		022 30753487
If any of the above are not reachable or any of the escalations are not resolved.	Product Head	Pratibha Sharma	<a href="mailto:pratibha.sharma@hdfcsec.com">pratibha.sharma@hdfcsec.com</a>	

*Thank You!*