

Frequently Asked Questions (FAQs) – National Pension System

What is the National Pension System (NPS)?

The NPS is a new contributory pension scheme launched by Government of India with effect from 1 January 2004. NPS is regulated by Pension Fund Regulatory and Development Authority (PFRDA), was first introduced for government employees and then in end 2009 for all citizens of India. Under the NPS, you can regularly invest your money into your pension scheme account. On retirement, you have the option of taking a part of the corpus as lump sum amount and the balance in the form of a fixed monthly income.

Who can subscribe for NPS?

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

You should be between 18 –60 years of age as on the date of submission of his/her application to the POP/ POP-SP.

You 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 mandatory submitted.

Can an NRI open an NPS account?

Yes, a NRI can open an NPS account. Contributions made by NRI are subject to regulatory requirements as prescribed by RBI and FEMA from time to time. If the subscriber's citizenship status changes, his/ her NPS account would be closed.

Who cannot join NPS?

The following applicants cannot join:

- ✓ Undischarged insolvent: Individuals who are not granted an 'order of discharge' by a court.
- ✓ Individuals of unsound mind: An individual is said to be of unsound mind for the purposes of making a contract if, at the time when he makes it, he is incapable of understanding it and of forming a rational judgment regarding its effect upon his/ her self-interest.
- ✓ Pre-existing account holders under NPS.

If I have invested in any other Provident Fund, can I still invest in NPS?

Yes. Investment in NPS is independent of your contribution to any Provident Fund.

I have invested in pension funds of non-government/private entities. Can I still invest in NPS?

Yes. Investment in NPS is independent of your subscription to any other pension fund.

What are the benefits of joining the NPS?

- ✓ **It is voluntary**-NPS is open to every Indian citizen. You can choose the amount you want to set aside and save every year. Extending old age security coverage & income to all citizens.
- ✓ **It is flexible**-You can choose your own investment option and Pension Fund Manager and see your money grow.
- ✓ **It is portable**-You can operate your account from anywhere in the country, even if you change your city, job or your pension fund manager.
- ✓ **It is regulated**-NPS is regulated by PFRDA, with transparent investment norms and regular monitoring and performance review of fund managers by NPS Trust.
- ✓ Reasonable market based returns over the long term.
- ✓ **Tax Benefits**-Contribution towards NPS are exempted under sections 80C & 80CCD(1B) & 80CCD(2).
- ✓ **Low cost investment** - Cost effective mode of planning for one's retirement.

What are the Tax Benefits of NPS?

Your contribution amount to National Pension Scheme is tax free, that is, it is deductible from the total income), subject to upper limits

➤ **Employee/Self-employed/Professional/Individual Contribution**

- ✓ Eligible for tax deduction of up to 10% of salary (Basic + Dearness Allowance) or 10% of total gross income under section 80CCD(1), which is within the limit specified under section 80CCE of Rs. 1,50,000.
- ✓ Eligible for additional tax deduction of up to Rs. 50,000 under section 80CCD(1B). This benefit will not attract the limit specified under section 80CCE. Hence contribution would be allowed over & above Rs. 1,50,000.

➤ **Employer Contribution**

- ✓ Eligible for tax deduction of up to 10% of salary (Basic + Dearness Allowance) under section 80CCD(2) without any upper cap in terms of absolute value. Hence contribution would be allowed over & above Rs. 1,50,000 under section 80CCE and Rs. 50,000 under section 80CCD(1B).
- ✓ An eligible contribution made by the employer is allowed as a business expense under Section 36 of Income Tax Act 1961.

What is the difference between Tier-1 and Tier-2 account?

In order to enroll for NPS Tier-1 account is a mandatory account, whereas Tier-2 is an optional. All the tax benefits available in NPS are associated to Tier-1 account only. No tax benefit is available to Tier-2. Tier-2 function as a mutual fund as the withdrawal option are unlimited, whereas in Tier-1 withdrawal options are limited. Minimum contribution for Tier-1 is Rs. 1000/- per financial year.

Is there any maximum age limit for making further contribution to NPS Tier I Account?

Yes. You can make contribution in your NPS accounts anytime between the 18 to 60 years of age. After attaining 60 years of age, you have an option to continue investing in NPS up to the age of 70 years.

How can a subscriber get registered for Subscriber?

Any Individual who wants to get registered as a subscriber and wants to open a Permanent Retirement Account (PRA)(Tier I) in NPS would submit the duly filled form (Composite application form for subscriber registration) with other supporting KYC documents to HDFC securities Ltd.

Where do I get the registration forms?

Application form for registration for NPS can be downloaded from the www.hdfcsec.com website. You need to forward the duly filled subscriber registration form, photograph, 1st contribution cheque & self-attested KYC documents to HDFC securities corporate office at Kanjurmarg, Mumbai.

How much does a subscriber need to contribute?

For Tier-I You are required to make your first contribution at the time of applying for registration with the POP-SP (i.e. HDFC securities).

You are required to make contributions subject to the following conditions:

- ✓ Minimum amount per contribution-Rs 500
- ✓ Minimum contribution per year-Rs 1,000
- ✓ Minimum number of contributions-01 per year

Over and above the mandated limit of a minimum of 1 contribution, you may decide on the frequency of the contributions across the year as per your convenience. PFRDA will impose penalties on intermediaries in case of delay beyond this period.

Is there any upper limit of Investment?

No there is no upper limit on Investment in NPS.

In whose favor do I need to give the NPS contribution cheque?

The cheque needs to be in favor of - "HDFC Securities Ltd –NPS A/C"

What are the POP charges at time of subscription & subsequent contribution?

Subscriber needs to pay the service charges to POP (HDFC securities) for subscribing to NPS scheme.

1. An Initial subscriber registration charge of Rs.125/- and an ad valorem transaction charge of 0.25% of the initial contribution amount* from subscriber subject to a minimum of Rs.20 and a maximum of Rs. 25,000/-.
2. Any subsequent transaction involving contribution* – 0.25% of the amount subscribed by the NPS subscriber, subject to minimum of Rs.20/- and a maximum of Rs.25000/-.
3. Any other transaction# not involving a contribution from subscriber – Rs.20/-

Other transactions include:

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

Do I need to include the POP (HDFC securities) charges in the contribution amount while registering for NPS (applicable for individual subscriber)?

Yes, the cheque amount needs to include POP charges + the minimum investment amount of Rs.500. (e.g. Contribution amt: Rs.1000 + Rs.125 + (0.25% or Rs.20 whichever is higher)+ Service tax @15% = Rs.1166.75)

What is CRA?

CRA stands for "Central Record Keeping Agency"; it is the core infrastructure for the National Pension System. It is managed by NSDL & main function is Record keeping, Administration and customer service functions for all subscribers of the NPS. Issuing 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.

How much time is required for registration?

After the registration forms are submitted to HDFC securities Ltd, online PRAN is generated. Within 20 working days of PRAN number generation PRAN card is printed and dispatched by NSDL-CRA.

When would my contribution be debited from my account?

The 1st contribution cheque would be debited post PRAN generation.

How can I check the status of my PRAN application?

Subscriber needs to contact the POP (i.e. HDFC Securities Limited) for checking the status of NPS application.

How do I come to know about their PRAN?

Once the PRAN is generated, an email alert as well as a SMS alert will be sent to the registered email ID and mobile number of the subscriber by NSDL-CRA.

What is PRAN and PRAN Kit?

On successful registration, a PRAN (Permanent Retirement Account Number) will be allotted to the subscriber. A PRAN Kit containing PRAN card, Subscriber details (referred as Subscriber Master List) and an information booklet is sent to the subscriber's registered address by NSDL-CRA within 20 working days from date of PRAN generation. The T-Pin and I-Pin are sent separately to the registered address.

The PRAN Card is a document with PRAN, subscriber's name, father's name, photograph and signature/thumb impression. This card proves the completeness of information in the CRA system.

The Subscriber Master List shows all the information as provided by the subscriber in his / her application and accordingly captured in CRA system. A subscriber may verify the correctness of the information submitted for registration by looking at the Subscriber Master List.

Whom to contact for non-receipt of PRAN Card?

PRAN Card is dispatched to the registered address within 20 working days from the day of PRAN generation by NSDL-CRA. During this period, a subscriber can go to <https://cra-nsdl.com/CRA/> and check the status of PRAN kit using PRAN number.

How do I do subsequent contributions to my NPS account?

HDFC securities trading account holder – can visit to www.hdfcsec.com. Go to product and services and click on subscribe online. Enter the trading credential. Here you will get an option to make lump sum contribution as well to give standing instruction.

Non HDFC securities trading holder but HDFC Bank account holder – can visit to www.hdfcsec.com. Go to product and services and click on register now. Create a portal id. Enter your PRAN, PAN card and DOB. Here you will get an option to make lump sum contribution.

Otherwise the subscriber can visit HDFC securities website www.hdfcsec.com & download the HDFC Bank standing instruction form which will can be filled & duly signed with PRAN a/c no., Contribution amount, Frequency & Date of debit. The same needs to be forwarded to HDFC securities any of the nearest HDFC securities branch.

Other Bank account holder - Customer can download the subscriber contribution slip from www.hdfcsec.com and attached the contribution cheque along with and can submit the same to nearest HDFC Securities branch or can courier the same to HDFC securities corporate office at Kanjurmarg, Mumbai

How do I make changes in personal details or address change is required?

For any changes in records, you would need fill & sign the Subscriber details change request form & attach a cheque of Rs. 23/- in favor of HDFC securities Ltd–NPS A/C". This amount is charged towards POP service charges.

What should I do if I have not received my IPIN password or I want to place a request for a new IPIN password?

You can generate the I-Pin online itself. Follow the below mentioned steps

Generate I-Pin online

Select the below mentioned url:

<https://cra-nsdl.com/CRA/raisePasswordSubscriber.do?ID=null&getName=Change Password>

Follow the mentioned Steps

- ✓ After providing the respective PRAN, the subscriber is required to enter certain Mandatory details (* marked fields) along with the new password (IPIN) as per his/her own choice and then click on generate OTP.
- ✓ Once the User clicks on Generate OTP button, a six digit OTP will be sent on the registered mobile number of the subscriber. The subscriber needs to enter the OTP in the designated field (Enter OTP) and submit.
- ✓ If the OTP entered by the subscriber matches with the system generated OTP, then the subscriber's new password (entered by the subscriber along with the personal information) will be activated and a confirmation message will be displayed on screen stating that "Reset IPIN request has been successfully processed".
- ✓ The subscriber can now login with his/her User ID (PRAN Number) and new IPIN.

What investment choice / scheme preference does the subscriber have?

The NPS offers you two approaches to invest your money:

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

What is Active choice option?

You will have the option to actively decide as to how your NPS pension wealth is to be invested in the following three options:

Asset Class E - investments in predominantly equity market instruments.

Asset Class C - investments in fixed income instruments other than Government securities.

Asset Class G - investments in Government securities.

You can choose to invest your entire pension wealth in C or G asset classes and up to a maximum of 50% in equity (Asset class E). You can also distribute your pension wealth across E, C and G asset classes, subject to such conditions as may be prescribed by PFRDA. In case you decide to actively exercise your choice about investment options, you shall be required to indicate your choice of Pension Fund Manager (PFM) from among the six Pension Fund Managers (PFMs) appointed by PFRDA. In case you do not indicate any choice of PFMs, your form shall not be accepted by the POP-SP.

While exercising an Active Choice, remember that your investment allocation is one of the most important factors affecting the growth of your pension wealth. If you prefer this "hands-on" approach, keep the following points in mind:

- ✓ Consider both risk and return. The E Asset class has higher potential returns than the G asset class, but it also carries the risk of investment losses. Investing entirely in the G asset class may not give you high returns but is a safer option.
- ✓ You can reduce your overall risk by diversifying your investment. The three individual asset classes offer a broad range of investment options; it is good not to put "all your eggs in one basket."

- ✓ The amount of risk you can sustain depends upon your investment time horizon. The more time you have before you need to withdraw from your account, the more is the risk you can take. (This is because early losses can be offset by later gains.)
- ✓ Periodically review your investment choices. Check the distribution of your account balance among the funds to make sure that the mix you chose is still appropriate for your situation. If not, rebalance your account to get the allocation you want.

What is 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 you are unable/unwilling to exercise any choice as regards asset allocation, your funds will be invested in accordance with the Auto Choice option. You will, however, be required to indicate your choice of PFM. In case you do not do so, your form shall not be accepted by the POP-SP.

In this option, the investments will be made in a life-cycle fund. Here, a pre-defined portfolio will determine the fraction of funds invested across three asset classes. 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 participant reaches the age of 36. 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. Like the active choice, you must choose one PFM under the auto choice.

Net Asset Value (NAV) will be released on a regular basis so that you may be able to take informed decisions

Can I select both investment choices when investing in NPS?

No. You have to select either Active Choice or Auto Choice as your option when making investments under NPS.

When can I change the scheme preference?

The subscriber shall be allowed to exercise the choice only once, at any time during the financial year.

How do I select the Pension Fund Manager for my NPS savings?

You are required to specify your Pension Fund Manager (PFM) at the time of applying for NPS registration. You will be required to indicate your preferred PFM out of the 7 PFM identified by PFRDA.

Which are the Pension Fund Manager available for NPS?

NPS allows you to choose from any one of the following six entities to manage your pension fund
Currently:-

- ✓ HDFC Pension Management Company Limited
- ✓ ICICI Prudential Pension Funds Management Company Limited
- ✓ Kotak Mahindra Pension Fund Limited
- ✓ Reliance Capital Pension Fund Limited

- ✓ SBI Pension Funds Private Limited
- ✓ UTI Retirement Solutions Limited
- ✓ LIC Pension Fund Ltd.

What are the other charges under NPS?

Intermediary	Charge Head	Service Charges	Method of Deduction
POP charges (Maximum Permissible Charge for each subscriber)	Initial subscriber	Rs.125/-	To be collected upfront
	Initial & subsequent transaction	0.25% of the contribution amount, subject to minimum of Rs 20/- .	
	Non – Financial transaction	Rs. 20/-	
CRA (Central Record Keeping Agency)	PRA Opening Charges	Rs 50	Through cancellation of units
	Annual PRA Maintenance cost per Account	Rs 190	
	Charges per Transaction	Rs 4	
Custodian (On asset value in custody)	Asset Servicing charges	0.0075% p.a	Through NAV Deduction
NPS Trust charges	NPS Trust charges	0.01%	Through NAV Deduction
PFM charges	Investment Management Fee	0.01%	Through NAV Deduction

* Exclusive of Applicable taxes.

* Service tax & other levies as applicable will be levied.

* Other Service request will attract additional Rs.20/- each + service tax.

Can I transfer my savings amount from NPS Tier II account to NPS Tier I account?

Yes. You transfer savings from Tier II to Tier I, but vice versa is not allowed.

What rate of return will my contributions earn?

The PFM will invest your savings in a scheme of your choice. Remember that your investment allocation is one of the most important factors affecting the growth of your pension wealth. The rate of return earned by your contribution depends on the return provided by the asset classes you choose to invest in

viz equity instruments, fixed income instruments, government securities. The NAV's of each PFM's are published routinely on the CRA website.

The returns earned by the PFM on the scheme selected by you will be credited to your account.

Kindly refer the NPS Tier I Offer Document for details on the risks associated with your investments.

Whether subscribers have facility of loans/advances under NPS? Whether lien can be marked on NPS account?

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

Will I receive a transaction statement on allotment of units in my NPS account?

Yes. An annual statement containing details of your unit holdings will be issued by CRA to your registered address within 3 months of the end of every financial year.

Can I appoint nominees for the NPS Tier I Account?

Yes. You can appoint up to 3 nominees for your NPS Tier I account.

You are required to specify the percentage of your saving that you wish to allocate to each nominee. The share percentage across all nominees should collectively aggregate to 100%.

In case of the death of the NPS account holder, the nominee(s) may opt to receive 100% of the NPS pension wealth of the deceased NPS account holder in lump sum or may continue with NPS.

In case the nominee (s) opt to withdraw the pension wealth, the nominee (s) are required to submit the withdrawal request to CRA directly with the supporting documents specified in the withdrawal request form.

However, if the nominee wishes to continue with the NPS, he/she will have to subscribe to NPS individually after following due KYC procedure.

What is the transmission process in case of death of NPS account holder who has not selected a nominee? It is advisable that the NPS subscribers indicate their nominee. CRA is in the process of defining the procedure for transmission in case of NPS account holders who have not selected a nominee. We will intimate clients of such process after the same is finalized by CRA. In such cases, the legal heir of the deceased NPS account holder may approach CRA for guidance regarding withdrawal of the pension wealth.

Can one exit before 60 years?

Yes, one can exit before 60 years but in 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.

Premature withdraw before 60 years of age or superannuation age

Employer's Contributions

Withdrawal option is not available for employer's contribution.

Employee/Self-employed/Professional/Individual Contribution

Subscriber will get an option to withdraw up to 25% of the amount invested after 10 years. Second withdrawal option of up to 25% of the amount invested will be available after 5 years from the date of 1st withdrawal. Third withdrawal option of up to 25% of the amount invested will be available after 5 years from the date of 2nd withdrawal (the said withdrawal option are available for specific purpose like children higher education/marriage, purchase/construction of residential property, and critical illness).

Death due to any cause in such an unfortunate event, nominee will receive 100% of the NPS pension wealth in lump sum and the same is tax free.

Withdrawal at 60 years of age or superannuation

On attaining age of 60 years or superannuation age, the subscriber will get 2 option.

Option 1 – Subscriber can extent the investment up to the age of 70 years.

Option 2 – Subscriber need to compulsorily invest at least 40 % of your accumulated savings (pension wealth) to purchase a life annuity from any IRDA-regulated life insurance company. He/she may choose to purchase an annuity for an amount greater than 40%. The remaining 60 % of your pension wealth can either be withdrawn in lump sum on attaining the age of 60 or it can be defer up to age of 70. Subscriber has an option to withdraw the deferred lump sum amount in maximum 10 annual installments up to the age of 70 years or withdraw the entire amount at once by giving 15 days advance notice during such period of deferment.

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 will have to subscribe to NPS individually after following due KYC procedure.

What is the tax treatment on NPS Withdrawal at maturity?

At maturity withdrawal up to 40% of the corpus amount is tax free and the remaining 20% can be withdrawn in maximum 10 annual installment, which will reduce the tax liability as the individual will fall in lower tax bracket or nil tax bracket. OR remaining 60% of the corpus can be used for purchasing annuity, thus no tax liability on the corpus used for purchasing the annuity on the subscriber.

What will happen to my savings if I decide to retire before age 60?

To withdraw from your Tier I account at any time before 60 years of age, you would be required to invest at least 80% of your pension wealth to purchase a life annuity from any IRDA-regulated Life Insurance Company. You may withdraw the remaining 20% of your pension wealth as a lump sum.

What happens to my investments if I discontinue the scheme?

If a subscriber wishes to exit from NPS before attaining the age of 60, he/she can withdraw up to 20% of the sum accumulated after 10 years. The subscriber has to buy annuity with the rest of the money. The commencement of the annuity depends on the annuity plan / scheme offered by the ASPs. If minimum contributions are not made as stipulated, the account will be frozen and can be reactivated only by paying the penalty of Rs. 100 + minimum contribution amount.

What happens to the accumulated amount at the time of death of the subscriber?

In the event of death of the subscriber, the beneficiary submits a withdrawal request to the associated POP-SP who will enter the request in the CRA system. After the request is processed, a cheque is issued favoring the beneficiary and forwarded to the associated POP.

What is Annuity?

Annuity in the context of NPS refers to the monthly sum that will be received by the subscriber from the Annuity Service Provider after he attains the age of 60.

Who is the Annuity Service Provider (ASP) for NPS accounts?

Annuity Service Providers (ASPs) is the entity who will be responsible for managing the funds (allocated for buying annuity) and payment of the pension after a subscriber attains the age of 60. The ASPs will be the entities regulated by Insurance Regulatory and Development Authority.

Below are the 5 ASPs currently tied up with PFRDA:

- ✓ HDFC Life Insurance Co. Ltd.
- ✓ Life Insurance Corporation of India
- ✓ SBI Life Insurance Co. Ltd.
- ✓ ICICI Prudential Life Insurance Co. Ltd.
- ✓ Star Union Dai-ichi Life Insurance Co. Ltd.

What are the different types of annuities providing for monthly pension available to the subscribers of NPS?

The following are the generic annuities that are offered by Annuity Service Providers to the subscribers of NPS. However, some of the ASP's may offer some variants which have slightly different or combination type of annuities.

- ✓ Pension (Annuity) payable for life at a uniform rate to the annuitant only.
- ✓ Pension (Annuity) payable for 5, 10, 15 or 20 years certain and thereafter as long as you are alive.
- ✓ Pension (Annuity) for life with return of purchase price on death of the annuitant (Policyholder).
- ✓ Pension (Annuity) payable for life increasing at a simple rate of 3% p.a.
- ✓ Pension (Annuity) for life with a provision of 50% of the annuity payable to spouse during his/her lifetime on death of the annuitant.
- ✓ Pension (Annuity) for life with a provision of 100% of the annuity payable to spouse during his/her lifetime on death of the annuitant.

- ✓ Pension (Annuity) for life with a provision of 100% of the annuity payable to spouse during his/her lifetime on death of the annuitant and with return of purchase price on death of the spouse. If the spouse predeceases the annuitant, payment of annuity will cease after the death of the annuitant and purchase price is paid to the nominee.

Who can select ASP?

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

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.