

NPS FAQ

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FAQs - Generic

Q) What is National Pension Scheme?

A) National Pension Scheme (NPS) is a contribution based pension scheme launched by the Government of India effective January 1, 2004. NPS was initially extended only to central government employees. However, effective May 1, 2009, it was made available to all citizens of India on a voluntary basis. Pension Fund Regulatory and Development Authority (PFRDA) is the prudential regulator for NPS. PFRDA was established by the Government of India on August 23, 2003 to promote old age income security by establishing, developing and regulating pension funds.

Q) Who shall be responsible for protecting my interests as a NPS subscriber?

A) PFRDA is the Regulator for the NPS and will endeavor to protect the interests of the subscribers through prudential norms of investments etc.

Q) Who can join NPS?

A) All Indian citizens between the age of 18 and 60 can join the NPS.

Q) Is it mandatory to join NPS?

A) No. It is an optional benefit available for all India based employees. Individuals can also contribute through all citizens model.

Q) How does NPS work?

A) Citizens interested in joining NPS have the option of operating through two different types of accounts: Tier I and Tier II account. Tier I account is mandatory for all individuals applying for NPS. Tier II account is voluntary savings facility where the subscriber can avail Fund Management facilities. Contributions to Tier I account can be made by both the subscriber and his/her employer. However, contributions to Tier II account can only be made by the subscriber. The amounts contributed to both the accounts are invested in various asset classes by the Pension Fund Managers (PFMs) appointed by PFRDA. The returns from these investments are credited to the subscriber's NPS account.

Q) Can one open Tier II account only?

A) No, Tier II account would be opened only after the subscriber is having active Tier I account

Q) What happens with the contributions made to NPS account?

A) Funds are managed by PFM's from Public and Private sector appointed by PFRDA. The PFMs are required to invest strictly in accordance with the guidelines issued by the Govt. of India and PFRDA. The PFMs would invest the savings people put into their NPS accounts, investing them in three asset classes, equity (E), government securities (G) and debt instruments that entail credit risk (C), including corporate bonds and fixed deposits.

For more details, one can visit:

<http://www.pfrda.org.in/writereaddata/linkimages/NEW%20WELCOME%20KIT396945283.pdf>
<http://pfrda.org.in/indexmain.asp?linkid=187>

Q) Would my personal information be held confidential?

A) Your personal information shall not be disclosed to a third party (outside NPS) without your expressed or implied consent. The information will be used internally or for creating awareness (telephonic/written) of new services of NPS. However, there are some exceptions, viz. disclosure of information under compulsion of law, where there is a duty to the public to disclose and where the interest of the NPS requires disclosure.

Q) Can one decide how investment of one's funds is done across the 3 asset classes?

A) Yes, one has the option to actively decide the proportion in which one's funds in NPS accounts will be invested across Asset Class E (upto 50%), Asset Class C, and Asset Class G

Q) I do not have any experience in investing in Funds. Is there any standard option available?

A) In such cases if the subscriber does not exercise any choice as regards with asset allocation, the contribution will be invested in accordance with the 'Auto choice' option. In this option the investment will be determined by a predefined portfolio. 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 55.

Q) Is it possible to switch from Active to Auto and vice-versa?

A) Yes, this is possible. One needs to inform the POP-SP about one's investment choices.

Q) How can one monitor one's transactions / corpus?

A) Each individual is provided with a login id and password along with PRAN number at the time of opening NPS account. It can then be used to log in to NSDL system and access one's account details.

Q) Can one withdraw from one's Tier I account as and when one wishes to?

A) A subscriber to NPS Tier I account is expected to withdraw the amount only on attaining the age of 60 years. On attaining the age of 60 years the subscriber can withdraw up to a maximum of 60 % of his pension wealth either as lump sum or in a phased manner over the period of next 10 years and invest the a minimum of 40% of the pension wealth to purchase a life annuity from any IRDA regulated life insurance company. However, in case a subscriber wishes to withdraw before attaining the age of 60 years, he/she would be required to invest at least 80% of the pension wealth to purchase a life annuity from any IRDA regulated life insurance company. Rest 20% of the pension wealth may be withdrawn as lump sum.

Q) Does the above withdrawal logic apply to investments in Tier II account as well?

A) No, Tier II account is a voluntary savings account which permits withdrawal as per subscriber's requirement.

Q) Are there any tax benefits associated with NPS contributions and returns?

A) Yes, contributions made by an individual towards the Tier I account of the NPS is deductible from the total income under Section 80CCD of the Income Tax Act. Under section 80CCD of the Income Tax Act, 1961, NPS will provide an additional tax benefit on investments of up to INR 50,000 a year. This is over and above INR 1.5 lakh a year under section 80C. For someone in highest tax bracket, maximizing his/her investment in NPS could additionally (after section 80C) save him/her about INR 15,000 a year in taxes. Employer's contribution to your Tier I NPS account will be exempt from taxes under section 80 CCD (2). Exemption is available for a maximum contribution of 10% of Basic + Fixed Dearness Allowance (FDA) in a Financial Year. Tax benefits are available only on the contributions made to Tier I account. Tier II account is a savings account and there are no tax benefits associated with the contributions made to this account. As per current provisions, withdrawals under the NPS attract tax under the EET (exempt-exempt-taxable) system, which means that while contributions and returns to the NPS are exempt up to a limit, however both lump sum withdrawals and pension would be taxed as normal income (EET).

Q) What are benefits associated with Tier II account?

A) Tier II account works as a normal market linked savings account, in which subscriber will get returns as per fund performance, however unlike Tier I account, there are no Tax benefits towards contribution in this account. Subscriber can withdraw any proportion of deposited amount whenever they want from Tier II account.

Q) How can one open an NPS account?

A) Please refer the Process document available in Harmony. Please make sure that you go through instructions given in the enrollment form and process document carefully & submit all required documents as per this [checklist](#).

Q) Does one need to open new NPS account in case of change in employment / location?

A) No, NPS account is portable across locations (within India) and employers. NPS account can be operated from anywhere in the country irrespective of employment and geography. Employee shall be able to access their Permanent Retirement Account from anywhere in India, based on the I-PIN sent by the CRA. The details of your PRAN and the Statement of Transaction (SOT) shall be available on the CRA website www.npscra.nsdl.co.in. In case new employer is not offering NPS, individual can continue to contribute under "All citizens" model.

Q) What do I do in case I am already enrolled for NPS in my previous organization and I got transferred / joined Infosys?

A) You need to ensure that your PRAN is linked to the Corporate account of Infosys. Only then you should update the PRAN details in Harmony.

Q) What will happen in case I am no longer employed / not able to contribute?

A) Individual have an option to continue the account under “All citizens” model, or they may close the account as per re-investment guidelines given [here](#). Individual may also keep account dormant for a period and then restart the investment after paying a nominal penalty as levied by POP. However it should be noted that account shall be closed when account value falls to zero.

Q) Is there any minimum contribution one is required to make each year in order to maintain continuity of one’s NPS account?

A) For Tier I account a minimum contribution of INR 6,000 is required per year. A minimum amount of INR 500 is required to be maintained during each contribution towards the Tier I account. In case an individual opts for Tier II account, a minimum contribution of INR 250 per year and a minimum balance of INR 2,000 at the end of each financial year is required. A minimum amount of INR 250 is required to be maintained during each contribution towards the Tier II account.

Q) What happens if one does not meet the minimum contribution condition as stated above?

A) In such a scenario, one is required to pay applicable penalties as levied by the POP-SP.

Q) There are many mutual funds and other investment products available in the market. Apart from tax benefits I don’t see any other benefits of this scheme.

A) It is suggested that one takes opinion of one’s tax consultant while making any investment decisions.

Q) What is the interest/return on my contribution?

A) There is no fixed interest/return, your fund wealth will depend on proportion of contribution under each asset class and fund performance of each asset class. Please visit PFM’s website, they may have indicative returns’ calculator. We have provided returns from 1st Dec 2009 till 2nd Apr 2014 only for reference [here](#). Employees are however are requested to check PFM’s websites for latest returns data.

Q) How much pension will I receive?

A) At the age of 60, subscriber has to buy an annuity from the pension fund wealth. There are different types of annuity options available, details of which can be found in PFRDA website. Amount of your pension will depend on your accumulated fund and type of annuity selected.

Illustration: I am 30 years old and would like to retire at 60. I want pension of INR 2,000 per month at today’s prices when I retire. How much do I need to contribute?

You would need a pension wealth of INR 319,000 (at today’s prices) at age 60 to get a pension of INR 2,000 per month (at today’s prices). To realize this pension wealth, you would need to contribute approximately INR 16,600 every year.

Assumptions: 2% real rate (NPS returns rate - inflation) of return, NPS charges as applicable, current LIC annuity rates, 100% annuitisation of terminal pension corpus.

Disclaimer: Above calculation is for illustration only and employees are requested to consult their investment

Q) What will happen in case of death of subscriber before age of 60?

A) In case of such unfortunate event, entire accumulated fund would be available to the nominee.

Q) Can I continue to contribute beyond age of 60?

A) No, as per current norms, there is no provision to contribute after age of 60.

FAQs - Policy Specific

Q) Is the National Pension Scheme mandatory for all employees of Infosys Limited?

A) No, NPS is an optional benefit available to all employees based in India.

Q) What is the process of opening NPS account? From where should I collect the enrollment form?

A) NPS can be opened via newly launched e-NPS mode as well as the offline mode. NPS form can be downloaded from Harmony. Employees are required to fill in details and submit the form at the ICICI branch at respective DC. For more details please refer the process document available on Harmony. For documents required please refer this [checklist](#).

Q) Can one open an NPS account with any of the POPs registered under PFRDA to be eligible to National Pension Scheme during one's employment with Infosys?

A) No, employees who wish to avail this benefit are required to open a Tier I NPS account with the POP associated with Infosys Limited.

Q) If one already has an NPS account with another POP, can s/he avail benefits under Policy on NPS from Infosys Limited with her/his existing account?

A) No, employee will need to transfer her/his existing NPS account to POP associated with Infosys Limited.

Q) Will the Company bear the expenses towards opening / transfer of NPS account?

A) Any expenses towards opening / transferring / maintaining an NPS account will be borne by the employees

Q) What details does one need to provide Infosys to join this scheme?

A) Employee needs to show his/her intent of joining the scheme by allocating an amount towards NPS and accepting the declaration thereafter. A pre requisite to this is to update PRAN number on Harmony under "My Finance" section.

Q) How will the monthly salary change if one opts for NPS?

A) Up to a maximum of 20% of the employees' Basic + Fixed Dearness Allowance can be allocated towards NPS account by the employee. This amount would be adjusted from the Basket of Allowance (BOA) applicable to the employee and will be credited directly to the NPS account of the employee. Since Company is directly paying to the POP this amount will be treated like employer's contribution to NPS. Refer below example to understand how this will work:

Salary Component	Earlier Salary (INR pm)	Salary after taking NPS option (INR pm)
Basic	10,000	10,000
DA	1,100	1,100
BOA	20,000	18,890 ----- (20,000-1,110)

Contribution towards NPS	NA	1,110 ----- (10% of (Basic + FDA))
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It is to be noted that employee's salary (Basic + Fixed DA + BOA (adjusted)) after NPS allocation cannot be lesser than INR 15,750 p.m.

It is further to be noted that BOA break-up into HRA/LTA/Medical/Transport/etc. will revert to default percentages post salary restructuring. Employee will have to change the break-up percentages, if they may choose to do so, by going to the "Basket of Allowance" section in the following path: Harmony > My Finance > Benefits & Allowances > Basket of Allowance

Q) An employee wants to contribute more than the above stated amount to his/her NPS account. Can he /she do so on an individual basis, like voluntary PF?

A) Yes, but not through Company. One has to make the payment directly through POP-SP.

Q) How often can one change the amount contributed by Infosys Limited towards NPS account?

A) Employees can change the NPS contribution only during the enrollment window. Please note that changes done to NPS contribution will not happen on a retrospective basis. So any retro recovery on account of NPS already paid (in case of leave on LOP) will happen from rest of the salary. Similarly any arrears on account of NPS contribution will be paid along with rest of the salary.

Q) How will NPS contribution help with tax savings?

A) Amount contributed by Company (employer) to employee's NPS account results in additional tax exemption beyond INR 1.5 lakh limit. The below illustration explains this:

Particulars	Amounts in INR - current	Amounts in INR - post restructure
Basic	360,000	360,000
Fixed Dearness Allowance (FDA)	13200	13200
BOA	826,800	789,480
Employer Contribution to NPS (contributing 10% of Basic and FDA) added for taxation purpose	0	37,320
Gross Salary	1,200,000	1,200,000
Deduction u/s 80C EPF (Rs. 44,784) Life Insurance (Rs. 60,000) Fixed Deposit (Rs. 50,000) Max - Rs. 150,000	150,000	150,000
Deduction u/s 80CCD (for Employer contribution to NPS) Max - 10% of Basic plus DA	0	37,320
Taxable Salary	1,050,000	1,012,680
Tax for the year	140,000	128,804
Tax Savings		11,196

Q) Will the employee get tax benefits on the entire amount contributed by the employer to the NPS account on his / her behalf?

A) Tax exemption for the amount contributed by employer is available for up to a maximum of 10% of the employees' Basic + Fixed Dearness Allowance. This is subject to change as per applicable tax regulations.

Q) Who will decide about selection of Fund Manager and allocation of funds across different asset classes?

A) Employees are required to inform the POP-SP about their investment choices - Fund Managers and allocation of funds across the asset classes.

Q) Is there any minimum contribution that should be made per year once the NPS account becomes active?

A) A minimum contribution of INR 6,000 per Financial Year and INR 500 per instance should be made towards the Tier I account of NPS. This will include the contribution made by both the employer (on behalf of employee) and the employee themselves. Any penalty arising due to the minimum contribution not being met in a Financial Year will be borne by the employee.

Q) How many times I can make contribution in a year?

A) Employer contribution is governed by payroll cycles, however individuals on their own can contribute any number of times, given each contribution is more than INR 500.

Q) An employee is required to go overseas on deputation. Will Infosys continue to contribute towards NPS on his behalf during his onsite stay?

A) Contribution by the Company towards the employee's NPS account will stop from the start date of deputation of the employee. This would apply for both regular deputation and secondment cases.

Documents Required

1. Enrollment form
2. Two copies of Pan card
3. Two copies of current residential addressed filled as in the form
4. Two photographs
5. One cancelled cheque.

FAQ on e-NPS

Q) How to apply for e-NPS?

A) To open an e-NPS you would need to have the below:

- i. Pan Card or Adhar Card (linked to your mobile number)
- ii. An account with any of the below PSU banks:

Allahabad Bank	INDIAN Bank	Syndicate Bank
Andhra Bank	Oriental Bank of Commerce	Tamilnad Mercantile Bank Ltd.
Bank of India	State Bank of Jaipur & Bikaner	The Karur Vysya Bank
Bank of Maharashtra	State Bank of Hyderabad	The Lakshmi Vilas Bank Ltd
Corporation Bank	State Bank of India	The South Indian Bank Ltd.
Dena Bank	State Bank of Patiala	
IDBI Bank Limited	State Bank of Travancore	

Q) What are the timelines for PRAN generation?

A) After filling in the forms for e-NPS, the PRAN number is generated within an hour and sent to the customer's registered mobile number. Within 5 working days, the physical copy of the PRAN Card is delivered to the customer's correspondence address.

Q) What is POP-SP?

A) When you take the e-NPS route, the POP-SP by default is "e-nps" and the sector by default is "Unorganized sector".

Q) What needs to be done for enabling corporate contribution?

A) For enabling corporate contribution via Infosys Limited / Infosys BPO / Edgeverve , the POP –SP needs to be changed to "ICICI Bank" and the corporate needs to be changed to the respective corporate .

This can be done through the **ISS-1 Form** (**Harmony→My Finance > National Pension Scheme**) along with a copy of the PRAN Card which can be submitted to the ICICI Bank SPOC for NPS.

Q) For new registration, what options need to be selected?

A) For new registration, you can select the below .Either of Adhar /PAN card can be selected.

Q) What are the timelines for conversion to “Infosys” and change of POP-SP post submitting the ISS-1 form?

A) The details need to be verified with the Infosys HR and signatures need to be taken .These will be done by the ICICI team .Conversion is processed internally by the bank and would take place within 10 working days from the date of submission of the **ISS-1** form if all details in the form are correct .

Q) How will I know if conversion has taken place?

A) An sms is sent from NSDL to the employee's registered mobile number informing of the conversion.

Q) What needs to be done post the conversion?

A) Post confirmation from NSDL through sms about the conversion, the employee needs to update the PRAN number in Harmony. Within a week of updating, PRAN would be approved by ICICI. Corporate contribution can be started after that.

Returns

Please click the below link to view the returns for the previous years

<http://www.npstrust.org.in/index.php/navreturns/returns>