

A Brief about the New Pension Scheme

1. Government of India had initiated Contributory Pension Scheme for the employees' w.e.f 01 Jan 2004. The scheme is applicable for all government employees except the three defence forces. The existing provisions of Defined Benefit Pension and GPF would not be available to new Government servants joining Government service on or after 01 Jan 2004.
2. The new pension scheme will work on defined contribution basis and will have two tiers, Tier-I and Tier-II. Both tier-I (Pension Account) and Tier II (Savings Account) will be pure retirement savings products, the only distinction being Tier-I is a non-withdrawable account while Tier-II is a withdrawable account to meet financial contingencies. Contribution to Tier-I is mandatory for all Government servants joining Government service on or after 01 Jan 2004, whereas Tier-II will be optional and at the discretion of Government servants.
3. In order to implement the Scheme, there will be a Central Record Keeping Agency and several Pension Fund Managers to offer three categories of Schemes to Government servants, viz. options A, B and C based on the ratio of investment in fixed income instruments and equities. An independent Pension Fund Regulatory and Development Authority (PFRDA) will regulate and develop the pension market.
4. The Salient features of the Tier I and Tier II are as follows:-

Key features of Tier-I account

- a) In Tier-I, Government servants will have to make a contribution of 10% of his basic pay (i.e pay in pay band plus grade pay) plus Dearness Allowance, which will be deducted from his salary every month by the Pay and Account Offices (PAO) concerned. An equal contribution will be made by the Government. Tier-I contributions (and the investment returns) will be kept in a non-withdrawable Pension Tier-I Account.
- b) A Government servant can exit at or after the age of 60 years from the Tier-I of the scheme. At exit, it would be mandatory for him to invest 40% of pension wealth to purchase an annuity (from an Insurance Regulatory and Development Authority (IRDA) regulated Life Insurance Company), which will provide pension for the lifetime of the employee and his dependent parents/spouse. In the case of Government servants who leave the Scheme before attaining the age of 60, the mandatory annuitization would be 80% of the pension wealth.

Key features of Tier-II account

The Tier-II would enable the existing Tier - I account holders to build savings through investments over and above those in the Tier I pension account. Tier-II contributions will be kept in a separate account that will be withdrawable at the option of the Government servant. Government will not make any contribution to Tier-II account.

- a) No additional Central Record Keeping Agency (CRA) charges will be levied for account opening and annual maintenance in respect of Tier-II. However, Central Record Keeping Agency (CRA) will charge separately for each transaction in Tier II, the charges being identical to the transaction charge structure in Tier- I.
- b) No limits on number of withdrawals.
- c) Facility for separate nomination and scheme preference in Tier-II.
- (d) The subscriber would have the same choice of Pension Fund Managers (PFM) and schemes as in the case of Tier I account in the unorganized sector.
- (e) Contributions can be made through any Point Of Presence (POP)
- (f) Facility of one-way transfer of savings form Tier II to Tier-I.
- (g) Bank details will be mandatory for opening a Tier II account.
- (h) An active Tier I account will be a pre-requisite for opening of a Tier II account.

5. Minimum contribution requirements:

- (a) Minimum contribution at the time of account opening - Rs. 1000/-
- (b) Minimum amount per contribution - Rs. 250/-
- (c) Minimum Account Balance at the end of FY - Rs. 2000/-
- (d) Minimum number of contributions in a year - 4
(Minimum One contribution in case a subscriber joins in the last quarter)
- (e) Penalty of Rs. 100/- to be levied on the subscriber for not maintaining the minimum Account balance and/or not making the minimum number of contributions.

6. Charge Structure for PoPs:

- (a) New account opening charges (Tier-I & II both) - Rs. 40/-
- (b) Tier-II activation for existing subscribers of Tier-I - Rs. 20/-

Comparison between Tier – I and Tier – II Accounts

7. The following table summarizes the main features of Tier II account vis-à-vis Tier I account of NPS:

S. No	Functionality	Tier I	Tier II
1	Registration	Registration through PAOs for Government subscribers and through POP for all other subscribers. KYC to be done by POP.	Registration only through POP for Government as well as all other subscribers. PRAN card to act as KYC, no separate documentation required.
2	Contribution	<p>Government Subscriber Mandatory contribution through PAO/CDDO for Government subscribers (10% + 10% of Basic +DA per month)</p> <p>Other Subscribers (all Citizen except those mandatorily covered by NPS)</p> <ul style="list-style-type: none"> ➤ Minimum four contribution in a year ➤ Minimum contribution Rs 6000/- p.a. ➤ Minimum Contribution Rs 500/- per contribution 	<ul style="list-style-type: none"> ➤ Voluntary contribution through POP for Government as well as other subscribers ➤ Minimum contribution of Rs 1000/- at the time of account opening ➤ Minimum contribution of Rs 250/- per contribution ➤ Minimum balance of Rs 2000/- at the end of each financial year
3	Scheme Preference	<p>Unorganized sector subscribers</p> <ul style="list-style-type: none"> ➤ 3 Asset classes and 6 PFMs ➤ Availability of Auto Choice <p>Government Subscribers</p> <ul style="list-style-type: none"> ➤ Default Scheme under Tier I ➤ 3 PFMs 	<p>All subscriber shall have</p> <ul style="list-style-type: none"> ➤ Choice of six PFMs and three assets classes (E,C,G) ➤ Availability of Auto Choice
4	Bank Account	Non Mandatory	Mandatory
5	Withdrawals	Withdrawals allowed during vesting period except as per the norms prescribed by PFRDA.	No Limit on Withdrawals

Note: The form for opening of Tier II account is available on website www.npscra.nsdl.co.in

8. No deductions will be made towards GPF contribution from the Government servants joining the service on or after 01 Jan 2004 as the GPF scheme is not applicable to them.

9. Applicability of the scheme will serve to provide additional relief to who are discharge on invalidation/disablement and by the families of such employees who have dies during service since 01 Jan 2004. The pension and Gratuity will be applicable in accordance with CCS (Pension) Rules, 1972 for those personnel who joined service on or after 01 Jan 2004 **on provisional basis**. The following categories will be covered for providing the additional relief till further order:

- (a) Retirement from Government service on invalidation not attributable to Government duty.
 - (i) Invalid Pension calculated in terms of Rule 38 and Rule 49 of the CCS (Pension) Rules, 1972.
 - (ii) Retirement gratuity calculated in terms of Rule 50 of the CCS (Pension) Rules, 1972.
- (b) Death in service not attributable to Government duty:
 - (i) Family Pension (including enhanced family pension) computed in terms of Rule 54 of the CCS (Pension) Rules, 1972
 - (ii) Death Gratuity computed in terms of Rule 50 of the CCS (Pension) Rules, 1972
- (c) Discharge from Government service due to disease/injury attributable to Government duty:
 - (i) Disability pension computed in terms of the CCS (Extraordinary Pension) Rules.
 - (ii) Retirement Gratuity computed in terms of the CCS (Extraordinary Pension) Rules read with Rule 50 of the CCS (Pension) Rules, 1972.
- (d) Death in service attributable to Government duty:
 - (i) Extraordinary Family Pension computed in terms of CCS (Extraordinary Pension) Rules and Scheme for Liberalised Pensionery Awards.
 - (ii) Death Gratuity computed in terms of Rule 50 of the CCS (Pension) Rules, 1972.

10. The above provisional payments will be adjusted against the payments to be made in accordance with the Rules framed on the recommendations of the HLTF and recoveries, if any, will be made from the future payments to be made on the basis of those rules.

11. The recommendation of the High Level Task Force(HLTF) envisage payment of various benefits on death/discharge of a Government employee after adjustment of the monthly-annuitized pension from the accumulated funds in the NPS Account of the employee. Therefore, no payment of monthly-annuitized pension will be made to the employee/family of the employee during the period he/she is in receipt of the provisional benefits mentioned above.

12. In cases where on discharge/death of the employee, the amount of accumulated funds in the NPS Account have been paid to the employee/family of the employee, the amount of monthly-annuitized pension from the date of discharge/death will be worked out in accordance with the rules/regulations to be notified by the Department of Financial Services/PFRDA and the same will be adjusted against the payment of benefits/relief after the notified rules in this respect.