

NATIONAL PENSION SYSTEM (NPS)

NPS, regulated by PFRDA, is an important milestone in the development of a sustainable and efficient voluntary defined contribution pension system in India. It has the following broad objectives:

- . **To provide old age income**
- . **Reasonable market based returns over the long term**
- . **Extending old age security coverage to all citizens**

Some of the distinctive features of NPS are:

- **Prudentially regulated** - NPS is regulated by PFRDA, with transparent investment norms & regular monitoring and performance review of fund managers by NPS Trust.
- **Portable** – NPS account is portable across geographies and employment.
- **Flexible** – Flexibility to choose Pension Fund Managers, investment option, Annuity Service Provider and Annuity schemes.
- **Low Cost:** NPS is one of the world's lowest cost pension schemes.
- **Simple and Web enabled/online:** All transactions can be tracked online through CRA system. Employee can check fund, NAV and contribution status through CRA website.

NPS is designed on Defined contribution basis wherein the subscriber contributes to his account till the age of 60. A Subscriber has 3 options for his investments (**E, C and G**):

- **High Risk High Return (E):** Investments in predominantly equity market instruments.
- **Medium Risk Medium return(C):** Investment in fixed income instruments and government securities.
- **Low risk low return (G):** Investment in government securities.

The greater the value of the contributions made, larger would be the regular monthly pension delivered after 60.

Under NPS account, two types of accounts are offered. Salient features are as follows:

- a) **Tier-I account:** This is a non-withdrawable retirement account which can be withdrawn only upon meeting the exit conditions prescribed under NPS.
- b) **Tier-II account:** This is a voluntary savings facility available as an add-on to any Tier-1 account holder. Subscribers will be free to withdraw their savings from this account whenever they wish. Tier II is not eligible for tax benefit.

***investment options and tier II account is not available for NPS-LITE (Swavalamban) scheme.**

THE FOLLOWING MODELS OF NPS ARE NOW BEING OFFERED BY THE BANK

1. NPS – ALL CITIZENS OF INDIA SCHEME
2. NPS – CORPORATE SCHEME
3. NPS – LITE(SWAVALAMBAN) SCHEME

NPS-ALL CITIZENS OF INDIA SCHEME (UoS)

1. Any citizen of India, whether resident or non-resident, aged between 18 – 60 years as on the date of submission of his/her application to the Bank/Branch is can join this Scheme.
2. Customers can submit the application at any of our Bank Branches.
3. Every individual subscriber is issued a Permanent Retirement Account Number (**PRAN**) card and has a 12 digit unique number on enrolment. PRAN will be quote in all future transactions.
4. Contribution criteria specified by PFRDA is as follows

For All citizens Scheme	Tier I	Tier II
Minimum Contribution at the time of account opening	Rs. 500	Rs. 1000
Minimum amount per contribution	Rs. 500	Rs. 250
Minimum total contribution in the year	Rs. 6000	Rs. 2000
Minimum frequency of contributions	1 per year	1 per year

5. **Eligible for tax deduction up to 10 % of gross income under Sec 80 CCD (1) with in the overall ceiling of Rs. 1 lac under Sec 80 CCE.**
6. The following documents need to be submitted to the branch for opening of a NPS account:
 - a. Completely filled in subscriber registration form
 - b. Proof of Identity
 - c. Proof of Address
 - d. Age/date of birth proof.

7. Withdrawal Rules

Vesting Criteria	Benefit
At any point in time before 60 years of Age	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 providing for monthly pension. Rest 20% of the pension wealth may be withdrawn as lump sum.
To withdraw at age 60	At exit subscriber would be required to invest minimum 40 percent of accumulated savings (pension wealth) to purchase a life annuity from any IRDA-regulated life insurance company. Balance is paid as lump sum.
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.

NPS-CORPORATE SCHEME

1. NPS offered to Corporate Sector Employees is termed as NPS-CORPORATE SCHEME.
2. A citizen of India, whether resident or non-resident, aged between 18 – 60 years as on the date of submission of his/her application to the Bank/Branch is can join this Scheme.
3. Any eligible corporate entity desirous of extending NPS to their employees would need to tie up with our bank through MoU.

4. The following types of entities/organizations can join NPS– Corporate Scheme.
- Entities registered under Companies Act,
 - Entities registered under various Co-operative Acts,
 - Central Public Sector Enterprises
 - State Public Sector Enterprises
 - Registered Partnership firm
 - Registered Limited Liability Partnership (LLPs)
 - Anybody incorporated under any act of Parliament or State legislature or by order of Central / State Govt.
 - Proprietorship concerns
 - Societies/Trusts

5. Tax benefits to employer:

Contributions made by the employer (up to 10% of Basic + DA) is allowed as a business expense under Section 36 (1) iv (a) of Income Tax Act 1961

6. Tax benefit to employee:

Employee's contribution – Eligible for tax deduction up to 10% of Salary (Basic + DA) under sec 80 CCD (1) within the overall ceiling of Rs. 1 Lac under Sec. 80 CCE.

Employer's contribution – Eligible for tax deduction up to 10% of Salary (Basic + DA) contributed by employer under sec 80 CCD (2) which shall be excluded from the limit of Rs. 1 lac provided under Sec. 80 CCE.

- There is an option for Equal/Unequal contributions by employer-employee.
- Contribution criteria and withdrawal rules are same as NPS-All citizen of India Scheme.
- After opening the corporate NPS accounts, Tier II account also can be opened.
- Bank a/c and PAN details mandatory for opening the Tier II account.

NPS – LITE (SWAVALAMBAN) SCHEME

- NPS–LITE (SWAVALAMBAN) Scheme was launched in recognition of the need to provide old age income security to marginal income earners and to economically disadvantaged sections of the society, as part of Governments initiative towards Financial Inclusion. The Govt. of India will contribute Rs.1000/- per year to every NPS-Swavalamban account, provided the contribution made by the account holder is between Rs.1000/-to Rs.12000/- per year.

2. NPS – Swavalamban account opened in the period 2014-2015 to 2016-2017 will get the Government benefit of Rs 1000/- per year up to 2016-17.
3. A citizen of India, who belongs to the unorganized sector, can open NPS –Lite (Swavalamban account based on the following conditions:
 - a) Should be between 18 – 60 years of age as on the date of submission of his/her application.
 - b) Subscriber should not be covered under social security scheme like Employees’ Provident Fund and Miscellaneous Provision Act, The Coal Mines Provident Fund and Miscellaneous Provision Act etc.
4. Customers can submit the application at any of our Bank Branches with following documents:
 - a) Address and id proof.
 - b) Minimum contribution amount of Rs 100/ at the time of application submission.
5. Though there is no minimum contribution requirement per year, minimum contribution of Rs. 1000/-per year is recommended to avail Government benefit. However it may be remembered the higher contribution amount will yield higher pension and since Government benefit is available for contribution up to Rs 12000/- per year, it may be desirable to save higher amounts in your NPS-Swavalamban account.
6. In NPS lite scheme, no charges for new registration and further contribution.

For more information about the scheme, you may visit “ <http://pfrda.org.in/> ”.
