

## Frequently Asked Questions on National Pension System (NPS)

### **Q. What is National Pension System (NPS)?**

National Pension System (NPS) is a 'Government of India' initiative with an objective of Development of a sustainable and efficient voluntary defined contribution Pension System in India. It is regulated by Pension Fund Regulatory and Development Authority (PFRDA).

NPS provides a platform for savings to create a Retirement Corpus (Pension Wealth) through 3 baskets of investments i.e. Equity (E), Corporate Bonds (C) and Govt. Securities (G) commonly known as E, C & G.

### **Q. Who can join NPS?**

Any citizen of India, whether resident or Non-Resident between 18-60 years of age can join the NPS.

### **Q. Why should I invest in NPS?**

NPS gives you the undernoted unique advantages which will help you built the best possible retirement corpus:-

1. **Additional Tax Deduction:** NPS provides an Opportunity of Extra Tax Savings. The investors can get an exclusive deduction of Rs.50,000/- from taxable income for additional investment in NPS under Sec 80 CCD (1B). This deduction is over and above the Sec 80 C limit of Rs.1,50,000/-.
2. **Lower Expense Ratio:** NPS is perhaps the world's lowest cost pension scheme. The total recurring expenses inclusive of the Fund Management fee and all other handling and administrative charges would work out to be around to 0.21% p.a. The Lower Expense ratio would lead to HIGHER RETIREMENT CORPUS.
3. **Ensures Complete Portability:** NPS account can be operated from anywhere country irrespective of employment and geography.
4. **Tax Efficient :** The Retirement Corpus used for buying Annuity will be totally Tax-free.
5. **No liquidity before Retirement:** Under Normal circumstances, No withdrawal is allowed before Retirement i.e. 60 Years of age. In a true sense this investment will prove to be the "REAL BUDHAPE KI LATHI".
6. **Flexibility:** Subscribers have -
  - i) Choice of Pension Fund managers (PFMs)
  - ii) Choice of Investment mix
  - iii) Choice of Life Cycle Fund is also available

*I also have a freedom to change the PFM or the Investment Mix once a year without any exit load.*

### **What is the process of enrolling in NPS?**

If you are an individual between 18 years to 60 years, you can contact any of our branch offices / UTI Financial Centres (UFCs) and ask for NPS Applications Forms and additional information about NPS.

You will be required to undergo the following steps:

- A. Fill up the [NPS Application form](#) with Black INK and deposit the same in our office.
- B. Documents to be attached along with the NPS Application Form
  - (i) Affix one colour photograph on the NPS Application Form
  - (ii) Proof of Address (ADHAR Card/ Bank Statement/ Voter ID/ Passport etc.)
  - (iii) Identity Proof (PAN Card/ Driving Licence/ Passport)
  - (iv) Cheque drawn in FAVOUR of "UTI AMC Collection Account - NPS Trust"

### **What are the important mandates to be given in the application form?**

The applicant has a choice of selecting his own Pension Fund Manager out of the seven Fund Managers appointed by PFRDA. He has also to choose the investment mix/ pattern.

### **Can I change my Fund Manager and the investment pattern at a later stage?**

Yes, one can change the Fund Manager and also the investment mix/pattern once in a year.

### **What is the minimum contribution amount and the periodicity of contribution?**

A subscriber has to contribute a minimum of Rs.6,000.00 (Rupees six thousand only) per Year. The minimum amount per contribution is Rs. 500/- (Rupees five hundred only). However, there is no maximum limit.

There are no restrictions on the number of times the contribution can be made.

### **What will happen if I default on payment?**

For every Year of default you will have to pay a penalty of Rs.100/-. This will have to be paid along with the minimum amount i.e. Rs.500/- that would be needed to reactivate the account. Also during the period you do not pay, NPS will keep charging the expenses against your accumulated corpus. If you continue to default, the account will be closed as and when the value of the units falls to Zero.

## What are the various charges involved in the NPS?

The various charges involved in the NPS are enumerated as under:

<b>Charges under NPS</b>			
<b>Intermediary</b>	<b>Charge Head</b>	<b>Service Charge</b>	<b>Method of Deduction</b>
<b>PoP</b>	<b>Initial Subscriber Registration (One Time)</b>	<b>Rs. 100/-</b>	<b>To be collected upfront</b>
	<b>Initial Contribution and All Subsequent Contributions</b>	<b>0.25% of the amount deposited Minimum: Rs.20/- &amp; Maximum: Rs.25000/-</b>	
	<b>Any Non Financial Transaction</b>	<b>Rs.20/- per Transaction</b>	
<b>CRA</b>	<b>PRA Opening (One Time)</b>	<b>Rs.50/-</b>	<b>Through NAV Cancellation/ Deduction</b>
	<b>PRA Maintenance (Per Annum)</b>	<b>Rs.190/-</b>	
	<b>Per Transaction (Financial / Non Financial)</b>	<b>Rs.4/-</b>	
<b>Custodian</b>	<b>Asset Servicing (Per Annum)</b>	<b>0.0075%</b>	
<b>PFM</b>	<b>Investment Management Fee</b>	<b>0.01 % per Annum</b>	

*The overall expense ratio (PoP Charges + CRA Charges+ PFM Charges+ Custodian Charges) will be in the range from 0.15% to 0.21% depending on the subscriber's entry age.*

## Till when I can contribute and when my pension will start?

A member can contribute up to the age of 60 Years. The Pension will start after attaining the age of 60 years.

## What will be the modus operandi of getting pension and what will be the quantum of Pension?

When you attain 60 Years of age, a Retirement corpus will be formed out of your contributions and returns generated on the same. You will have to buy an annuity with a minimum of 40% of the Retirement Corpus generated which will give you a monthly pension for whole of your life span. You have the freedom of annuitizing the whole of the Retirement Corpus or any percentage over and above 40% as you deem fit. The rest of the amount can be withdrawn.

The quantum of Pension is not fixed. It will depend upon the volume of your contribution, the returns generated over the tenure of the scheme, the percentage of your corpus utilized for buying annuity and the prevalent returns at the time of buying annuity.

**Are the Returns under NPS guaranteed? If not, what returns can I expect from this system?**

No, returns under the NPS are not guaranteed. The returns generated in NPS will be market linked. The returns generated will depend on the investment pattern opted, the quality of Fund Management and the various costs involved.

**Where will the amount be invested and what choices I have?**

The amount will be invested in Equities, Govt. Securities and Corporate Bonds as per the investment pattern/Investment mix opted by you. However, you can **not** opt for more than 50% in equities.

In case you do not choose any investment pattern it will be invested as per ‘Auto Choice’ mode. This is also sometimes referred as “Life Cycle Fund” where the asset allocation is a function of your age. Under Auto Choice mode the allocation will be as under:

Asset allocation under auto choice			
Age	Asset Class E	Asset Class C	Asset Class G
Upto 35 years	50.00%	30.00%	20.00%
36 years	48.00%	29.00%	23.00%
37years	46.00%	28.00%	26.00%
38 years	44.00%	27.00%	29.00%
39 years	42.00%	26.00%	32.00%
40 years	40.00%	25.00%	35.00%
41 years	38.00%	24.00%	38.00%
42 years	36.00%	23.00%	41.00%
43 years	34.00%	22.00%	44.00%
44 years	32.00%	21.00%	47.00%
45 years	30.00%	20.00%	50.00%
46 years	28.00%	19.00%	53.00%
47 years	26.00%	18.00%	56.00%
48 years	24.00%	17.00%	59.00%
49 years	22.00%	16.00%	62.00%
50 years	20.00%	15.00%	65.00%
51 years	18.00%	14.00%	68.00%
52 years	16.00%	13.00%	71.00%
53 years	14.00%	12.00%	74.00%
54 years	12.00%	11.00%	77.00%
55 years	10.00%	10.00%	80.00%

Note: reallocation among the asset classes shall take place on the date of birth of the subscriber.

**Is there any nomination facility? What happens if the member dies before the commencement of pension?**

Yes, there is a provision of nomination. The accumulated amount along with growth will be paid to the nominee. He/she can however continue with the NPS in case he/she wishes to.

**What are the TAX Advantages under NPS?**

**NPS provides an Opportunity of Extra Tax Savings:** The investors can get an exclusive deduction of Rs.50,000/- from taxable income for additional investment in NPS under Sec 80 CCD (1B). This deduction is over and above the Sec 80 C limit of Rs.1,50,000/-.

The Tax Advantages can be summarized as under:

Event	Taxability
Contribution in Tier-I Account	Exclusive deduction of Rs.50,000/- from Taxable income for investment in NPS under Sec 80 CCD(1B) available in excess of Rs.1,50,000/- under Sec 80 C
Accretion in Tier-I	Exempt
Withdrawal from Tier-I (including accretions)	1. Amount used to purchase annuity is exempt. 2. Amount withdrawn as lump sum is taxable.

***Currently NPS follows E-E-T regime of taxation.  
Under DTC it is proposed to be under EEE.***