

Pension Reforms in India While pension reforms in most countries initially are driven by the budgetary difficulties of supporting costly public pension systems, the longer term problems of ageing of the population and social change, including breakdown of traditional family support for old age income security, are equally important factors.

2. In India, in the absence of a country-wide social security system (formal pension coverage being about 12% of the working population), while the ageing and social change are important considerations for introducing pension reform in the unorganised sector, fiscal stress of the defined benefit pension system was the major factor driving pension reforms for employees in the organised public sector (Government employees). There were series of Budget announcements starting from 2001-02 to 2010-11 underlining need for pension reforms for both Central Government and for unorganised sector, of course, for different reasons.

Introduction of the New Pension System

3. The Government had introduced the New Pension System (NPS) from 1st January, 2004 through a notification dated 22nd December, 2003 for new entrants to Central Government service, except to Armed Forces. The Government has constituted an interim regulator, the Interim Pension Fund Regulatory and Development Authority (PFRDA) through a Government Resolution in October, 2003 as a precursor to a statutory regulator. This Resolution was re-issued on 14th November 2008. The design features of the New Pension System (NPS) are self-sustainability, scalability, individual choice, maximising outreach, low-cost yet efficient, and pension system based on sound regulation (Please see the Press Release on NPS).

Establishment of Institutional Framework of NPS

4. The National Securities Depository Limited (NSDL) has been selected as the Central Recordkeeping and Accounting Agency (CRA) by PFRDA and has commenced operation. The contributions under NPS are now being sent to CRA. PFRDA has appointed three pension fund managers, a custodian and a trustee bank. The accumulation and contribution of subscribers of NPS, who are Central Government Employees, are invested based on the investment guidelines prescribed for the non-government provident funds by the Ministry of Finance (Please see the Press Release and the Notification on Investment Pattern). However, the investment guidelines for NPS for all citizens have been prescribed by PFRDA and are available at their website at <http://www.pfrda.org.in>.

Extension of NPS to State Governments, Autonomous Bodies and Un-organised Sector

5. NPS has also been extended to new segments (autonomous bodies, State Governments and un-organised sector) and introducing micro-pension initiatives. NPS has been adopted resoundingly by the State Governments. Twenty seven State Governments and Union Territories have notified adoption of NPS for their new employees. Twenty Five State Governments and Union Territories have executed agreement with CRA and have also executed agreement with NPS Trust. Eleven State Governments have registered their nodal offices and subscribers with CRA. Twenty Two State Governments have started uploading data and Eighteen State Government transferring contribution amount in NPS.

6. After receiving Government's approval for extending the NPS to all citizens including the unorganised sector workers PFRDA has rolled out the NPS architecture for all

citizens of the country on a voluntary basis from 1st May, 2009. The information on NPS for all citizens is available on the PFRDA's website at <http://pfrda.org.in/>.

7. In order to expand the reach of the NPS countrywide, Interim PFRDA invited the Department of Posts to join the NPS as a POP. Subsequently, on receipt of a formal proposal from the Department of Posts, Interim PFRDA appointed the Department of Posts as a POP in November, 2009. The Department of Posts has been offering NPS at 807 branches as on 31.12.2011 but proposes to eventually extend its NPS network to all of its electronically connected branches. This will enable the Department of Posts to make NPS available within the easy reach of all citizens in the remotest corners of the country. Several new initiatives were started like:

- ❖ adding a Tier II to the NPS that will serve as a savings account for the pension subscriber with effect from 1st December, 2009.
- ❖ development of CRA- Lite - a low cost version of NPS meant to enrol people of lower economic strata like self help groups, affinity groups etc.
- ❖ It has also been approved to increase the maximum entry age under the NPS to 60 years, as against the prevailing 55 years to enable more people to join the NPS.

8. As of date 9,37,495 employees of the Central Government are already a part of NPS. The corpus being managed under the NPS is Rs.15,190 crores. The status of NPS in details is as under:

S. No.	Employer / Sector	Number of Subscribers	Corpus under NPS (in Crore)
1.	Central Government	9,37,495	11,234
2.	State Government	11,63,983	3,550
3.	Private Sector	75,480	262
4.	NPS – Lite	10,24,406	144
Total		32,01,364	15,190

9. Under the NPS for all citizens, a subscriber has the facility to open NPS account at any of the registered branches (14891 branches as on 31.12.2011) of the 37 PoPs appointed by Interim PFRDA. The offer document containing details of the NPS, application form for opening NPS account and welcome brochure is available on the website of Interim PFRDA (<http://pfrda.org.in>) as well as the website of other NPS

intermediaries. Details of NPS intermediaries including Points of Presence and Pension Funds are also available on the Interim PFRDA website.

10. To encourage the people from the unorganised sector to voluntarily save for their retirement and to lower the cost of operations of the New Pension Scheme (NPS) for such subscribers, the Government will contribute Rs. 1000 per year to each NPS account opened in the year 2010-11. This initiative, "Swavalamban" will be available for persons who join NPS, with a minimum contribution of Rs. 1000 and a maximum contribution of Rs. 12000 per annum during the financial year 2010-11. The scheme will be available for another three years. The Hon'ble Finance Minister has launched the Swavalamban Scheme on 26.09.2010 at Jangipur (West Bengal). The scheme will be managed by the interim Pension Fund Regulatory and Development Authority. The Operational Guidelines on Swavalamban are available on the PFRDA's website at <http://pfrda.org.in>. The Swavalamban Scheme was initially announced for three years for the beneficiaries who enroll themselves in 2010-11 which is now being extended to five years for the beneficiaries enrolled in 2010-11, 2011-12 and 2012-13. The Scheme operates through 21 Aggregators and 37 PoPs. This scheme is open to those citizens of India who are not part of any pension/provident scheme. In view of the encouraging response to the Scheme, relaxations are being provided in the exit norms of the Scheme, whereby a subscriber under Swavalamban will be allowed exit at 50 years (instead of the existing prescribed age of 60 years) or a minimum tenure of 20 years, whichever is later.

The per capital Incentive payable to Aggregators has been revised from Rs.50 to Rs.100/-. Further, the incentive for promotion efforts based on volume has also been revised as per details given hereunder:

S. No.	Number of Subscriber under Aggregator	Incentive for promotional efforts per accounts (only for new and eligible acquisition during the year)
1.	Less than 1 lakh	Rs.20
2.	From 1 lakh upto 3 lakh	Rs.30
3.	Over 3 lakh upto 5 lakh	Rs.40
4.	Over 5 lakh	Rs.50

A Total of 3,01,920 during 2010-11 and 6,35,899 subscribers have been enrolled during 2011-12. A budget provision of Rs.110 crore in RE 2011-12 and Rs. 220 crores in RE 2012-13 has been made for the scheme.
