

National Pension System (NPS)

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About National Pension System (NPS)

- It is a retirement benefit scheme introduced by the Government of India to facilitate regular income post-retirement for all subscribers.
- NPS was launched on 1st January, 2004.
- Initially, NPS was introduced for the new government recruits (except the armed forces). With effect from 1st May, 2009, NPS has been provided for all citizens of the country, including the unorganised sector workers on voluntary basis.
- Voluntary: It is a voluntary scheme for all citizens of India. People can invest any amount in their NPS account at any time.
- Permanent Retirement Account Number (PRAN): It is based on a unique PRAN, which is allotted to every subscriber.
- Portability: NPS account or PRAN will remain the same irrespective of changes in employment, city, or state. It can be used from any location in India.
- PFRDA (Pension Fund Regulatory and Development Authority) is the governing body for NPS.
- There is no defined benefit that would be available at the time of exit from the system, and the accumulated wealth depends on the contributions made and the income generated from the investment of such wealth.
- Under NPS, individual savings are pooled into a pension fund, which is invested by PFRDA-regulated professional fund managers into diversified portfolios comprising Government Bonds, Bills, Corporate Debentures, and Shares.

- Contributions made by individual subscribers are accumulated until retirement, and corpus growth continues via market-linked returns. Subscribers also have the option to exit this plan before retirement or opt for superannuation.
 - PRAN will provide access to two personal accounts:
 - Tier I Account: This is a non-withdrawable account meant for savings for retirement.
 - Tier II Account: This is simply a voluntary savings facility. The subscriber is free to withdraw savings from this account whenever he or she wishes. No tax benefit is available on this account.
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Q1) What is the PFRDA (Pension Fund Regulatory and Development Authority)?

The Pension Fund Regulatory & Development Authority Act was passed on 19th September, 2013 and the same was notified on 1st February, 2014. PFRDA regulates NPS, subscribed by employees of Govt. of India, State Governments and by employees of private institutions/organizations & unorganized sectors. The objective of PFRDA is to promote old-age income security by establishing, developing and regulating pension funds to protect the interests of the subscribers of pension fund and for matters connected therewith or incidental thereto.

Source: [Will deliberate on Old Pension Scheme after panel report: Amit Shah](#)

Source: <https://vajiramandravi.com/current-affairs/nps/>

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