

## National Pension System (NPS)

NPS is a pension scheme regulated by Pension Fund Regulatory & Development Authority (PFRDA). A Citizen of India including NRI between age group of 18 and 65 years can join this Scheme. Subscriber can continue with NPS Scheme till the age 70 years after joining it.

### How NPS works?

Upon joining NPS, Subscriber is allotted NPS account number called **Permanent Retirement Account Number (PRAN)**. Subscriber contributes towards NPS to accumulate corpus for retirement during his / her working life which can be utilized to get monthly pension post retirement.

### Investment of Funds

Investment will be management by **HDFC Pension Management Company Limited**. There are 4 funds – Equities, Corporate Bonds, Government Securities and Alternate Investment Funds. Subscriber gets choice of two investment approaches:

- **Active Choice** – Under this option, Subscriber can select asset allocation across E, C, G and A. Maximum exposure to E is restricted to 50% of Contribution amount and A is 5 % of the contribution amount.
- **Auto Choice** – Under this option investment across three funds is done as per the pre-defined ratio within asset classes E, C and G which is linked to the age of Subscriber. Auto Choice is further offers choice between the below Life Cycle Funds:
  - **LC- 75 Aggressive life Cycle Fund**
  - **LC- 50 Moderate life Cycle Fund**
  - **LC- 25 Conservative life Cycle Fund**
- Investment Pattern chart for **LC- 75 Aggressive life Cycle Fund** is stated below:

Age of Subscriber	E	C	G
< = 35 years	75%	10%	15%
36	71%	11%	18%
37	67%	12%	21%
38	63%	13%	24%
39	59%	14%	27%
40	55%	15%	30%
41	51%	16%	33%
42	47%	17%	36%
43	43%	18%	39%
44	39%	19%	42%
45	35%	20%	45%
46	32%	20%	48%
47	29%	20%	51%
48	26%	20%	54%
49	23%	20%	57%
50	20%	20%	60%
51	19%	18%	63%
52	18%	16%	66%
53	17%	14%	69%
54	16%	12%	72%

> = 55 years	15%	10%	75%
--------------	-----	-----	-----

- Investment Pattern chart for **LC- 50 Moderate life Cycle Fund** is stated below:

Age of Subscriber	E	C	G
< = 35 years	50	30	20
36	48	29	23
37	46	28	26
38	44	27	29
39	42	26	32
40	40	25	35
41	38	24	38
42	36	23	41
43	34	22	44
44	32	21	47
45	30	20	50
46	28	19	53
47	26	18	56
48	24	17	59
49	22	16	62
50	20	15	65
51	18	14	68
52	16	13	71
53	14	12	74
54	14	12	74
55	14	12	74

- Investment Pattern chart for **LC- 25 Conservative life Cycle Fund** is stated below:

Age of Subscriber	E	C	G
< = 35 years	25%	45%	30%
36	24%	43%	33%
37	23%	41%	36%
38	22%	39%	39%
39	21%	37%	42%
40	20%	35%	45%
41	19%	33%	48%
42	18%	31%	51%
43	17%	29%	54%
44	16%	27%	57%
45	15%	25%	60%
46	14%	23%	63%
47	13%	21%	66%
48	12%	19%	69%
49	11%	17%	72%
50	10%	15%	75%
51	9%	13%	78%
52	8%	11%	81%
53	7%	9%	84%
54	6%	7%	87%
55	5%	5%	90%

### Partial withdrawal from NPS

Subscriber is allowed to withdraw up to 25% of contributed amount for specific purposes like treatment of critical illness,

child marriage / higher education etc. after 3 years from NPS account opening. Maximum 3 withdrawals are allowed.

### Exit from NPS (Closing NPS Account)

Subscriber can exit from the scheme after 10 years of account opening or attaining the age 60 years whichever is early. The exit proceeds depend on the age of exit as shown below:

Exit age < 60 years	Exit Age = 60 years
Up to 20% of corpus is made available for withdrawal. Balance needs to be invested in annuity	Up to 60% of corpus is made available for withdrawal. Balance needs to be invested in annuity
If the Corpus is equal to or less than Rs. 1 lakh, entire corpus can be withdrawn in lump sum	If the Corpus is equal to or less than Rs. 2 lakh, entire corpus can be withdrawn in lump sum

### Tax treatment on exit from NPS

Exit age < 60 years	Exit Age = 60 years
Amount withdrawn in lump sum is tax exempt.	Amount withdrawn in lump sum to the extent of 40% of Corpus is tax exempt.
Amount invested in Annuity is tax exempt.	Amount invested in Annuity is tax exempt.
Amount received as pension is treated as income and will be taxed appropriately.	Amount received as pension is treated as income and will be taxed appropriately

### Other Salient Features of NPS

- Fully Portable Account
- Online accessibility of account details
- Flexible contribution and withdrawal options
- Low cost investment option

### Tax benefits on investment towards NPS

Subscriber (salaried as well as self employed) can invest up to Rs. 50,000/- This amount is exempt from tax u/s 80CCD (1B) of Income Tax Act, 1961. This tax benefit is over and above 1.5 lakh limit of 80C.

### HDFC Pension Fund Performance under NPS

Fund performance as on 31<sup>st</sup> Mar 2018:

Funds	Returns
Equities	15.49%
Corporate Bonds	10.70%
Government Securities	9.87%

The above returns are annualized from the date of inception of HDFC Pension i.e. since Aug' 13

### Charges under NPS:

There are multiple Intermediaries involved under NPS. Charges for each intermediary are mentioned below:

#### POP (Point of Presence) HDFC Bank:

Charge head	Charge	Mode of deduction
NPS Account opening	Rs. 200 (one time)	These charges are collected upfront.
Contribution Processing*	0.25% of Contribution Amount (on each transaction)	
Non financial transaction processing	Rs. 20/-	
Persistency Charge#	Rs.50/-	To be collected from deduction of units

\* Subject to minimum Rs.20/- and maximum Rs. 25000/- per account per transaction

# Applicable from the second year on the active accounts

#### Karvy – CRA (Central Recordkeeping Agency)

Charge head	Charge	Mode of deduction
NPS Account opening	Rs. 39.36 (one time)	Amount is recovered by cancellation of units
Contribution Processing	Rs.3.36 (on each transaction)	
Annual Maintenance	Rs. 57.63 (Annual)	

#### Other Intermediaries:

Charge head	Charge	Mode of deduction
Fund Management	0.01%	Adjusted in NAV
Custodian	0.0032%	
Trust Management	0.005%	

GST will be applicable on all the charges (which is 18%)