सत्यमेव जयते

पेंशन निधि विनियामक और विकास प्राधिकरण
**PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY**

**डॉ. दीपक महान्ती**
**अध्यक्ष**
**Dr. Deepak Mohanty**
Chairperson

**Letter of Transmittal**

F. No: PFRDA-09/02/0001/2024-ANNUAL RPT Dept October 15, 2024

The Secretary
Department of Financial Services
Ministry of Finance
Government of India
Parliament Street, Jeevandeep Building
New Delhi-110001

Subject: Annual Report of PFRDA for FY 2023-24

Sir,

In accordance with the provision of Section 46 (2) of the Pension Fund Regulatory and Development Authority Act, 2013, I have the pleasure of transmitting copies of the Annual Report of the Pension Fund Regulatory and Development Authority on the working of the Authority for the financial year ended on March 31, 2024.

Yours Sincerely,

(Dr. Deepak Mohanty)

ई–500, टॉवर ई, पांचवां तल, वर्ल्ड ट्रेड सेंटर, नौरोजी नगर, नई दिल्ली–110029
दूरभाष : 011–40717901, ई–मेलः chairman@pfrda.org.in,, वेबसाईट : www.pfrda.org.in
E-500, E Tower, 5th Floor, World Trade Center, Nauroji Nagar, New Delhi-110029
Phone : 011-40717901, E-mail: chairman@pfrda.org.in, Website : www.pfrda.org.in

# INDEX

**Table of Contents**

## STATEMENT OF GOALS AND OBJECTIVES

Under Section 46 of the Pension Fund Regulatory and Development Authority Act, 2013, read with Rule 7 and 9 of PFRDA (Reports, Returns and Statements) Rules, 2015

## OBJECTIVE

**The broad objectives of the PFRDA are contained in the Preamble to the PFRDA Act 2013 as under:**

***"To provide for the establishment of an Authority to promote old age income security by establishing, developing and regulating pension funds, to protect the interest of subscribers to schemes of pension funds and matters connected therewith and incidental thereto"***

## VISION

*To be a model regulator for the promotion and development of an organized pension system to serve the old age income needs of people on a sustainable basis.*

# CHAIRMAN'S MESSAGE

The National Pension System (NPS) has made steady progress over the years. It offers flexibility to subscribers in investment choices and provides continuity of account irrespective of one's employment status.

The NPS was established for the government sector employees in 2004 and subsequently extended to private sector in 2009. It is encouraging to see that NPS for the private sector is showing significant growth. As of end-March 2024, the subscriber-base under private sector has crossed 55 lakh. The number of active subscribers under NPS, including Atal Pension Yojana (APY), was 7.4 crore with a corpus of Rs. 11.73 lakh crore, about 4 percent of the GDP at current prices, at end-March 2024.

The investment schemes under NPS have provided competitive returns. The equity scheme has generated a CAGR (Compounding Annual Growth Rate) of 13.5 percent since inception with the last year return at 35 percent. The composite scheme for central government (CG) employees, which is a mix of debt and equity, has given a return of 9.5 percent per annum since inception. Similarly, the composite scheme for state government (SG) employees has generated a return of 9.4 percent per annum since inception. The APY scheme has generated a return of 9.11 percent per annum since inception.

The world over, pension assets contribute to the stability of the financial markets and economic growth. In India, the rising pension assets not only provide old age income security but also long-term capital for infrastructure.

The Authority took a number of steps to strengthen the regulatory and supervisory framework of NPS operations: such as a comprehensive review of regulations wherein the compliance requirements of the intermediaries were rationalized with increased focus on digital mode; the cybersecurity guidelines were strengthened; Aadhaar based access to nodal offices for better risk management was introduced; a Systematic Lumpsum Withdrawal (SLW) mechanism was introduced whereby the subscriber could draw a monthly amount from 60 percent of the corpus while remaining invested in NPS, to take the benefit of higher returns. A 'Chintan Shivir' was organized to provide a platform for stakeholders' feedback.

PFRDA is playing a crucial role in developing the pension ecosystem, not only by regulating but also promoting the sector, strengthening the distribution channels and taking digital initiatives to expand pension coverage and to enhance user experience. The technological infrastructure of the organization is also being enhanced by implementing a Technology Architecture (TARCH) project to better engage with the stakeholders and deliver a seamless and convenient service experience to the users. There is considerable scope for expansion of NPS in furtherance of the vision of a pensioned society as India transitions to an upper middle-income country with the aspiration to be an advanced economy by the middle of the century.

**Dr. Deepak Mohanty**
Chairperson

# MEMBERS OF THE BOARD

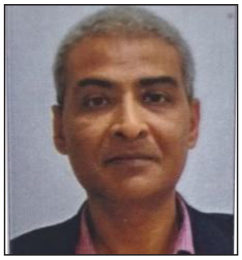
**Dr. Deepak Mohanty**
**Chairperson**

Dr. Manoj Anand
Whole-Time Member- Finance

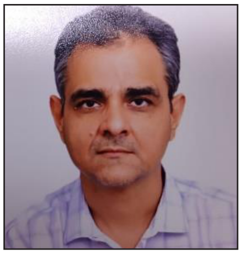
Ms. Mamta Shankar
Whole-Time Member- Economics

Ms. Annie George Mathew (IA & AS 1988), Special Secretary (Pers), Department of Expenditure. From 12.12.2014 till 31.10.2023

Ms. Parama Sen (IA & AS 1994), Additional Secretary (Pers), Department of Expenditure. From 11.12.2023 till date.



Shri Rahul Singh (IAS 1996), Additional Secretary (S&V), Department of Personnel & Training (DoPT). From 15.07.2022 till 26.03.2024.



Shri Pankaj Sharma (ICAS 2000), Joint Secretary, Department of Financial Services, Ministry of Finance. From 27.05.2022 till date.

# CHAIRPERSON, WHOLE TIME MEMBERS AND EXECUTIVE DIRECTORS

## (LEFT TO RIGHT)

**Shri Ananta Gopal Das, Executive Director;**

**Shri Venkateswarlu Peri, Executive Director;**

**Shri Ashok Kumar Soni, Executive Director;**

**Ms. Mamta Shankar, Whole-Time Member-Economics;**

**Dr. Deepak Mohanty, Chairperson;**

**Dr. Manoj Anand, Whole-Time Member-Finance;**

**Ms. Mamta Rohit, Executive Director;**

**Ms. Sumeet Kaur Kapoor, Executive Director;**

**Shri Rahul Ravindran, Executive Director.**

# SENIOR MANAGEMENT OF THE AUTHORITY

**(As of March 31, 2024)**

## EXECUTIVE DIRECTOR

Shri Ananta Gopal Das
Ms. Mamta Rohit
Shri Ashok Kumar Soni
Shri Venkateswarlu Peri
Ms. Sumeet Kaur Kapoor
Shri Rahul Ravindran

## CHIEF GENERAL MANAGER

Shri Ashish Kumar
Shri K. Mohan Gandhi
Shri Mono Mohon Gogoi Phukon
Shri Akhilesh Kumar
Shri Pravesh Kumar
Shri Vikas Kumar Singh
Shri Sumit Kumar
Shri P. Arumugarangarajan

## GENERAL MANAGER

Shri Sachin Joneja
Shri Ashish Kumar Bharati
Ms. Gurminder Kaur
Dr. Purnima Sharma
Ms. Manju Bhalla
Dr. Alpana Vats
Shri K. R. Daulath Ali Khan

## CHIEF VIGILANCE OFFICER

Shri Sushil Kumar

## OMBUDSMAN

Shri Narendra Kumar Bhola

### Annual Report Team

**Shri Venkateswarlu Peri (Executive Director)**
**Shri Sachin Joneja (General Manager)**
**Shri Sidhant Mohapatra (Assistant Manager)**

# ABBREVIATIONS

| | |
|---|---|
| AE | Advanced Economies |
| AIF | Alternative Investment Fund |
| APY | Atal Pension Yojana |
| APY-SP | APY-Service Provider |
| ASSOCHAM | Associated Chambers of Commerce and Industry of India |
| ASP | Annuity Service Provider |
| AUM | Assets under Management |
| BSE | Bombay Stock Exchange |
| CAB | Central Autonomous Bodies |
| CBO | Corporate Branch Office |
| CCI | Competition Commission of India |
| CEO | Chief Executive Officer |
| CG | Central Government |
| CGMS | Central Grievance Management System |
| CHO | Corporate Head Office |
| CII | Confederation of Indian Industry |
| COR | Certificate of Registration |
| CPI | Consumer Price Index |
| CPIO | Central Public Information Officer |
| CRA | Central Recordkeeping Agency |
| CSGL | Constituent Subsidiary General Ledger |
| DB | Defined Benefit |
| DDO | Drawing and Disbursing Office |
| DFS | Department of Financial Services |
| DTA | Directorate of Treasuries and Accounts |
| DTO | District Treasury Office |
| EMDE | Emerging Market and Developing Economies |
| EPF | Employee Provident Fund |
| EPFO | Employees' Provident Fund Organisation |
| EPS | Employees' Pension Scheme |

| | |
|---|---|
| ERM | Error Rectification Module |
| FAQ | Frequently asked Question |
| FICCI | Federation of Indian Chambers of Commerce & Industry |
| Fin-Tech | Financial Technology |
| FSDC | Financial Stability and Development Council |
| FY | Financial Year |
| GDP | Gross Domestic Product |
| G-Sec | Government security |
| H1 | First Half of the year |
| H2 | Second Half of the year |
| IMF | International Monetary Fund |
| IOS | iPhone Operating System |
| IPIN | Internet Personal Identification Number |
| TPIN | Telephonic Personal Identification number |
| IRDAI | Insurance Regulatory and Development Authority of India |
| KYC | Know Your Customer |
| MFI | Micro Finance Institution |
| MIS | Management Information System |
| Mobile app | Mobile Application |
| MPC | Monetary Policy Committee |
| NAV | Net Asset Value |
| NBFC | Non-Banking Financial Company |
| NCFE | National Centre for Financial Education |
| NISM | National Institute of Securities Market |
| NLAO | NPS Lite Account office |
| NPS | National Pension System |
| NPSCAN | NPS Contribution Accounting Network |
| NPST | National Pension System Trust |
| NSDL | National Securities Depository Limited |
| NSE | National Stock Exchange |
| OECD | Organization for Economic Cooperation and Development |
| OPGM | Online PRAN Generation Module |

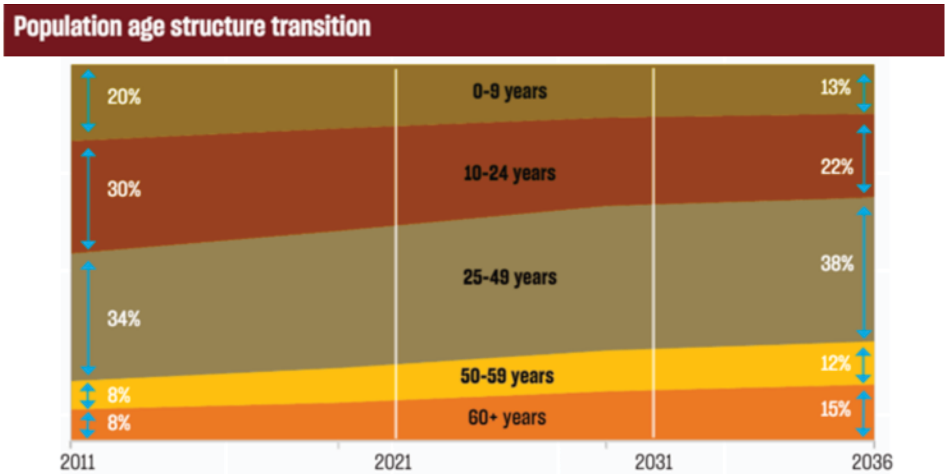
| | |
|---|---|
| OTP | One Time Password |
| PAC | Pension Advisory Committee |
| PAN | Permanent Account Number |
| PAO | Pay and Accounts Office |
| PrAO | Principal Accounting Office |
| PF | Pension Fund |
| PFM | Pension Fund Manager |
| PHDCCI | PhD Chamber of Commerce and Industry |
| PoP | Point of Presence |
| PoP-SE | Point of Presence-Sub Entity |
| PoP-SP | Point of Presence-Service Provider |
| PRAN | Permanent Retirement Account Number |
| QR code | Quick Response code |
| RA | Retirement Advisor |
| RBI | Reserve Bank of India |
| RE | Regulated Entity |
| RRB | Regional Rural Bank |
| RTI | Right to Information |
| SCF | Subscriber Contribution File |
| SEBI | Securities and Exchange Board of India |
| SG | State Government |
| SHCIL | Stock Holding Corporation of India Ltd |
| SOT | Statement of Transactions |
| STS | Server to Server |
| TB | Trustee Bank |
| TGFIFL | Technical Group on Financial Inclusion and Financial Literacy |
| UOS | Unorganised Sector |
| WEO | World Economic Outlook |
| WPI | Wholesale Price Index |
| WTM | Whole-Time Member |

# PART I

## Policies and Programmes

India is at the third stage of the demographic transition and despite declining birth rate, its population will continue to increase due to population momentum. The share of people aged 24 years and younger is expected to reduce from half of the total population (50 percent) in 2011 to about one-third (35 percent) in 2036. Consequently, India's population is expected to grow until it peaks at 1.67 billion people in mid-2036.

However, with reducing fertility rates, the share of younger people will progressively reduce, and will eventually lead to a decline in population as part of the natural process of transition. Hence the change of demography and the recessing demographic dividend, there is a need to provide social security through old age income and thus, the role of pensions becomes pivotal.




[1]

The introduction of the NPS in India marked a paradigm shift via a transition from a defined benefit to a defined contribution system. NPS provides a robust platform for the citizens of India and is designed to deliver a sustainable solution for having adequate retirement income in old-age. The Preamble to the PFRDA Act, 2013, inter alia sets out the objective of providing old-age income security in India which is of a vital importance as the demography of the country is expected to change. It is a DC pension scheme which facilitates accumulation of a pension corpus during the working life of the subscriber with flexible investment choices. The scheme was initially introduced for the Central Government employees in 2004. It was subsequently adopted by most state governments to provide retirement benefit to their employees. Later on, NPS was extended for all citizens of India in 2009 and to the corporate sector in 2011. NPS can be subscribed by any Indian citizen aged between 18-70 years and can also be adopted by any employer as a retirement benefit scheme for its employees on a voluntarily basis.

During FY 2023-24, the number of subscribers under NPS have grown at a CAGR of 12.1 percent from 1.31 crore to 1.47 crore. The ratio of the AUM under NPS and APY to the GDP (At current prices) has risen from 3.29 percent at the end of March 2023 to 4.0 percent at the end of March 2024. The growth rate of private sector subscribers has been 18.8 percent. The AUM of NPS have increased at a CAGR of 30.5

[1]Source: - India's Population Growth and Policy Implications, UNFPA, December 2023

percent from Rs. 8.66 lakh crore to Rs. 11.31 lakh crore. The growth rate of private sector AUM was 43 percent. APY is a flagship social security scheme of the Government of India. The main aim of this scheme to provide a regular income after the age of 60 years to all the citizen of India with special focus on those people who are in unorganized sector and are under privilege. To avail the guaranteed pension under this scheme, they have to save regularly till the age of 60 years. The total gross enrolments under APY have crossed 6.43 crore as on March 31, 2024 of which more than 1.22 crore new subscribers were enrolled in FY 2023-24. The enrolment during FY 2023-24 is the highest ever enrolment in a fiscal year and the scheme achieved a progress of 24 percent in gross enrolments. The NPS is designed to have a systemic approach towards designing and implementing a coherent and financially sustainable pension system.

PFRDA has undertaken various initiatives and reforms to protect the interest, improve ease of usage for the subscribers while rationalizing and simplifying compliances for the RE. Some of the major initiatives are: Review of Regulations in deference the budget announcement of Hon'ble Finance Minister's contained in Para 99 and 100 thereof; Easing the exit requirements from NPS via parallel processing of lump sum and annuity to ensure a seamless exit as the subscribers move from the accumulation phase to the annuity phase; Issued guidelines to assess cloud service adoption based on business strategy, risk assessment, and regulatory compliance for the REs; Integration of NPS SoT with CAS issued by CDSL and NSDL; Introduction of Systemic Lumpsum Withdrawals to optimize old age income benefits; Strengthening of internal digital systems through the upcoming PFRDA Intranet Portal for the digitization and streamlining of HR, Administration, IT, Finance & Accounting, and Legal with the organization.

The pension sector is impacted by global and domestic developments. At the same time, pension assets impact the economy in different ways by channelizing resources to the capital market and infrastructure growth. The global and domestic developments are reflected in economic growth, inflation, commodity prices, as well as monetary and fiscal policy responses which in turn impact all segments of the financial market, be it the equity market, government securities market, or corporate bond market. This part of the report briefly reviews the global and domestic economy before delving into the developments in the global and domestic pension markets.

### 1.1 Global Economic Scenario

The global growth which was at 3.2 percent in 2023 is expected to maintain the same pace in 2024 and 2025. This trajectory foresees a marginal acceleration in advanced economies, where growth is anticipated to increase from 1.6 percent in 2023 to 1.7 percent in 2024 and further to 1.8 percent in 2025. However, this uptick will be counterbalanced by a modest deceleration in EMDEs, with growth expected to marginally decrease from 4.3 percent in 2023 to 4.2 percent in both 2024 and 2025. Notably, the forecast for global growth in five years stands at 3.1 percent, marking its lowest level in decades.[2]

The global economic landscape seems to be gradually improving as concerns about recession diminish. While many major economies are displaying resilience and experiencing robust growth, others are lagging behind, leading to divergent growth paths worldwide. Notably, Japan is undergoing a significant rebound, while the United States and the United Kingdom continue to exhibit strong growth momentum. However,

[2]Source: - World Economic Outlook, April 2024

economic activity remains subdued in the Eurozone and China, although signs of improvement are evident. Leading international organizations have revised their growth forecasts upward for major economies.

Leading indicators also signal a resurgence in global economic activity. The global composite PMI showed an increase in March 2024, indicating a faster expansion across both manufacturing and service sectors. March 2024 saw the global manufacturing PMI reaching its highest level in 21 months, reflecting improvement across major economies and fostering confidence among governments and businesses.[3]

Despite substantial central bank interest rate hikes aimed at reinstating price stability, the global economy has demonstrated surprising resilience, reflecting the ability of economies to withstand such measures while maintaining growth trajectories.[4]

In the United States, GDP expanded at an annualized rate of 3.4 percent in the last quarter of CY23 while Japan's growth improved to 1.2 percent during the same period. The UK's monthly real GDP is estimated to have grown by 0.1 percent in February 2024, following a 0.3 percent growth in January 2024, driven primarily by manufacturing expansion. Additionally, the global manufacturing PMI accelerated to 50.6, reaching its fastest pace since June 2022, fuelled by strengthened new order inflows. Various EMDEs, including Indonesia, Russia, and Brazil, witnessed robust growth, with manufacturing PMIs hitting twenty-two and ten-month highs in the United States and China, respectively. The Global Services PMI has also surged since July last year, particularly within financial service providers, reaching a nine-month high in March 2024. Moreover, the global composite PMI, representing overall economic activity, stood at 52.3, the highest since June 2023. Both total new orders and new export orders have risen, while business optimism reached its highest level in nine months.

Despite the recent escalation of conflict in West Asia, the volatility and uncertainty stemming from geopolitical tensions appear to be diminishing. The Geopolitical Risk Indicator, which had been on the rise since March 2023, dropped in February 2024, signalling a reduction in risk perceptions and presenting an opportunity for growth. Moreover, pressure on global supply chains has alleviated, resulting in reduced logistical challenges. Forward-looking indicators paint a picture of optimism and improving sentiments, suggesting a favourable outlook for global economic stability.[5]

### 1.1.1 Global Inflation

In terms of inflation, a steady decline is forecasted, with global inflation expected to decrease from 6.8 percent in 2023 to 5.9 percent in 2024 and further to 4.5 percent in 2025. Advanced economies are projected to return to their inflation targets sooner than EMDEs. Core inflation is generally anticipated to decline at a more gradual pace.

In March 2024, the CPI inflation in the United States rose to 3.5 percent compared to the same month a year earlier, marking a third consecutive monthly increase of 0.4 percent. The upsurge was primarily propelled by the shelter and energy components, which collectively accounted for more than half of the month-on-month headline gain. Similarly, CPI inflation in the United Kingdom climbed to 3.4 percent year-on-year in February 2024, with a month-on-month increase of 0.6 percent driven by upward pressure from housing and

[3]Source: - DEA Monthly Economic Review, March 2024
[4]Source: - World Economic Outlook, April 2024
[5]Source: - World Economic Outlook, April 2024

household services.

Despite inflation persisting at elevated levels, market expectations continue to strongly anticipate the Federal Reserve's decision to cut rates later in the year. This sentiment aligns with indications from the recent Federal Open Market Committee (FOMC) meeting in April 2024 and assessments of appropriate monetary policy by FOMC participants, reflected in the dot plot projecting interest rate cuts totalling 75 basis points in 2024. Additionally, market expectations of a rebalancing labour market, weakening wage growth, and a decrease in inflation later this year remain robust. In its latest meeting in April 2024, the European Central Bank (ECB) also signalled a rate cut as Eurozone inflation continues to decline, underscoring the broader global trend towards accommodative monetary policy measures. [6]

### 1.1.2 Global Commodities Prices

In March 2024, global commodity prices experienced an uptick, driven by both Energy and Non-Energy commodities. The firming of crude oil prices since December 2023 can be attributed in part to escalating tensions in West Asia and the decision of OPEC+ countries to maintain supply constraints until mid-2024. Additionally, robust growth prospects in the USA and signs of recovery in China have bolstered crude oil prices. Concurrently, food prices saw a stiffening in March following a seven-month-long declining trend, primarily propelled by rising prices of vegetable oils. The increase in palm oil prices is attributed to seasonal drops in output in leading producing nations, coinciding with robust demand in Southeast Asia.

The global commodity price index recorded a 2.1 percent month-on-month increase, driven by a 2 percent rise in energy and a 2.3 percent increase in non-energy commodities. Crude oil prices reached $83.5 per barrel, marking a 3.7 percent increase over the previous month. Similarly, the Food and Agriculture Organization (FAO) food price index, after consistently declining, witnessed a 1.1 percent increase in March 2024, primarily due to an 8 percent surge in vegetable oil prices. These trends reflect the complex interplay of geopolitical dynamics, supply constraints, and demand-side factors shaping global commodity markets. [7]

### 1.1.3 Global Financial Environment

The current economic environment is characterized by expectations of a global economic soft landing and continued progress on disinflation, enabling households and businesses to access financing at lower costs despite prevailing high interest rates. Additionally, reassurance is derived from containing last year's banking turmoil. This situation, unusual by historical standards, contrasts with previous instances where significant tightening of monetary policy to curb inflation led to recessions and tighter financial conditions. However, markets anticipate resilient, albeit modest, growth as inflation returns to target levels.

Despite this optimism, rapid asset repricing remains a possibility, with factors such as policy shifts, geopolitical tensions, and disruptions in commodity and supply chains capable of altering expectations regarding inflation trajectory and monetary policy. Consequently, financial conditions could tighten abruptly, leading to souring investor sentiment and declining asset price correlations. A less favourable financing environment may exacerbate existing vulnerabilities, particularly evident in certain segments of commercial real estate facing challenging refinancing situations.

[6] Source: - DEA Monthly Economic Review, March 2024
[7] Source: - Ibid

The tightening of global financial conditions could trigger capital outflow pressures on emerging markets, potentially depreciating currencies and other assets. Although major emerging markets have demonstrated resilience to interest rate hikes in recent years, weaker sovereigns may face difficulties accessing international funding sources. In the medium term, easy financial conditions may contribute to the accumulation of financial vulnerabilities, including excessive debt usage by governments and private-sector borrowers. The opacity of private credit markets presents additional concerns, especially regarding the surge in private credit in recent years.

Policy measures can mitigate these risks and vulnerabilities, starting with a cautious approach to disinflation expectations and monetary policy easing. Financial regulatory authorities should ensure institutions can withstand defaults and other risks through stress tests, early corrective actions, and enhanced reporting requirements, particularly in areas like private credit markets. Implementation of internationally agreed prudential standards, such as Basel III, and progress on recovery and resolution frameworks are vital to limit fallout from weaker institutions.

Efforts to contain debt vulnerabilities, including fiscal consolidation, are crucial, especially for emerging markets and frontier economies to mitigate capital outflow and funding squeezes. While the outlook for global macrofinancial stability has improved alongside declines in global inflation, policymakers must remain vigilant and prepared for adverse scenarios. Prudent policy measures and readiness are essential to effectively tackle potential future challenges, considering the series of adverse shocks experienced since the onset of the COVID-19 pandemic in 2020.[8]

[8]Source: - Global Financial Stability Report (GFSR), April 2024

### 1.1.4 Global Bond and Equity Markets

The easing of global financial conditions has had positive effects on frontier economies and low-income countries, with high-yield sovereign spreads outperforming investment-grade spreads recently after reaching historically high levels in 2023. This trend is occurring amid a significant number of hard currency bonds maturing over the next two years in many countries. Local banking institutions have substantially increased their holdings of sovereign debt, posing potential risks from a sovereign-bank nexus due to previously limited access to external markets.

Quantitative tightening efforts by central banks, such as the Bank of England, European Central Bank, and US Federal Reserve, along with other central banks, have shifted the buyer base for government bonds. The emergence of new marginal buyers, including hedge funds, has led to increased price sensitivity and attention to debt sustainability, potentially contributing to medium-term volatility in bond markets. Some countries may face challenges in servicing outstanding sovereign debt, exacerbating existing debt-related issues.

While the majority of banks demonstrated resilience during the March 2023 turmoil, key risk indicators suggest that a subset of banks remains vulnerable, particularly Chinese and US banks. Nonbanks, particularly open-end bond funds, have received significant inflows in recent years, raising concerns about liquidity transformations similar to those seen before the global financial crisis.

With growing digitalization and geopolitical tensions, cyber incidents with malicious intent pose a rising concern for macrofinancial stability. Central banks are advised to avoid premature monetary easing and push back against overly optimistic market expectations for policy rate cuts, focusing instead on a gradual transition to a more neutral policy stance. Efforts to contain debt vulnerabilities, particularly in emerging markets, are crucial, along with strengthening supervisory and regulatory frameworks to ensure resilience in banks and nonbank financial institutions.

Global equity markets have experienced broad-based rallies, with the largest gains in Japan and the United States. Market optimism about a soft landing has supported asset prices, particularly in the corporate sector, driven by positive earnings prospects and investor optimism. Financial conditions have eased, especially in advanced economies, while modest volatility in exchange rates in emerging markets has translated into lower external financing risk. Despite some easing, financial conditions in China remain somewhat tight due to growth and property sector issues.[9]

## 1.2 Domestic Economy

In contrast to a cautious assessment of the global scenario, the Indian economy continues to demonstrate robust economic performance with widespread growth across sectors. Several international organizations highlight India's significant role in shaping the growth trajectory of Asia in the forthcoming years. The RBI, in its latest MPC meeting (April 2024), acknowledged the robust growth momentum in the economy and projected a real GDP growth rate of 7 percent for 2024-25 which has been underpinned by strong investment activity. This growth is anticipated to be driven by an upturn in rural demand and sustained momentum in the manufacturing sector. Furthermore, the WEO has forecasted India's growth to reach 6.8 percent in 2024-25 and 6.5 percent in 2025-26, attributing this to the continuing strength in domestic demand and an expanding working-age population. With the cumulative rate hike of 250 basis points (bps) undertaken during May 2022-February 2023 working its way through the economy, the MPC kept the policy repo rate unchanged at 6.50 per cent with a focus on the stance of withdrawal of accommodation to ensure that inflation progressively aligns with the target, while supporting growth.[10]

Optimism regarding growth prospects is also evident in consumer and investor perceptions. According to the latest consumer confidence survey, households' sentiments regarding the general economic situation and employment prospects have significantly improved for both FY2023-24 and FY2024-25. Moreover, the manufacturing sector is poised to maintain its momentum, supported by sustained profitability and an increase in rural demand.[11]

Over the past decade, India has experienced a significant economic transformation, moving from the 10th to the 5th largest economy globally. The growth story is characterized by resilience, ingenuity, and vision, overcoming challenges like the Covid pandemic and geopolitical conflicts. The structural reforms from 2014 to 2024, resulted in robust macroeconomic fundamentals, making India the fastest growing G20 economy. Estimated GDP growth rates of 9.1 percent (FY22) and 7.2 percent (FY23) showcase robust post-pandemic recovery.[12]

Key achievements include a decline in urban unemployment, record infrastructure development, increased university and higher education enrolment (especially for girls), and successful management of crude oil prices. Despite global challenges like the conflict in Ukraine and tensions in the middle east, the government's agile responses and economic reforms have supported India's recovery. The

[9] Source: - Global Financial Stability Report (GFSR), April 2024
[10] Source: - RBI MPC Report, April 2024
[11] Source: - RBI Monthly Bulletin, March 2024
[12] Source: - The Indian Economy - A Review (DEA)

focus on fiscal, monetary, and health responses, along with long-term interest free loans to states, has contributed to sustained economic growth, infrastructure development, and capital expenditure by states.[13]

### 1.2.1 Macro-Economic Developments in India

India's economic growth in the last decade has been driven by a comprehensive set of reforms and policies. The government focused on restoring growth potential through financial sector revival, business friendly conditions, and infrastructure development. Reforms in the financial sector, such as the introduction of the Goods and Service tax (GST), implementation of the Insolvency and Bankruptcy Code (IBC), have helped clean up balance sheets and also reduce indirect tax burden on citizens.

Simplification of regulatory frameworks, including the Real Estate (Regulation and Development) Act, 2016 and tax policy reforms like GST, have helped create transparency, reduce black money circulation, and attract further investments in the Indian economy. The government also successfully engaged the private sector as a co-partner in development, introducing initiatives like the Atmanirbhar Bharat and Make in India programs.

Decriminalization of minor economic offences under the Companies Act, 2013, improved the ease of doing business, and reforms targeted at MSMEs supported smaller businesses. Increased public spending on infrastructure, including roads, ports, inland waterways, electrification of railways, and airports, addressed longstanding bottlenecks.

Technology and digital platforms have played a crucial role in India's growth, fostering formalization, financial inclusion, and economic opportunities. Challenges to the Indian Economy include global economic uncertainties, energy security, the impact of artificial intelligence on employment, and the need for a skilled workforce. However, government initiatives like Pradhan Mantri Kaushal Vikas Yojana and efforts toward renewable energy demonstrate a commitment to overcoming challenges.

India's growth outlook remains positive, supported by macroeconomic stability, entrepreneurship friendly policies, and efforts to uplift vulnerable sections of society. The country's achievements in global forums, space exploration, and technology adoption showcase its rising prominence on the world stage.

India's economic resilience, defined as its ability to recover and grow, has been evident in the past few years, particularly after the pandemic induced contraction in FY21. The Indian economy recorded over 7 percent growth for two consecutive years and is set to repeat this for the third year in FY24. In the first half of the current financial year, the economy grew by 7.6 percent in real terms compared to the first half of FY23. This resilience extends beyond economic growth, as seen in declining unemployment rates and rising economic activities reflected in high frequency indicators.

The resilient consumption base resulted from increased private final consumption expenditure, balanced across durables, semi durables, and services. Structural reforms, digitalization, and inclusive policies have further contributed to economic growth. The government's welfare approach and initiatives like Pradhan Mantri Jan Dhan Yojana have narrowed the rural-urban divide, increasing

[13]Source: - RBI Monthly Bulletin, March 2024

the aspirations and spending power of the rural population. This overall economic resilience is expected to continue, supported by a positive growth outlook, infrastructure investments, and ongoing policy reforms.

The investment climate in India has transformed in recent years, with investment becoming a crucial driver of economic growth. The investment rate, which had faced challenges in the second decade of the millennium due to unsustainable credit practices, has rebounded in the last three years. The government's efforts, including reforms and balance sheet strengthening, have contributed to positive economic outcomes.

The investment rate has rebounded in the last three years, exceeding levels of FY16 relative to GDP. Non-food bank credit growth has rebounded, reaching 13 percent in FY23. Public sector capital expenditure increased significantly from ₹5.6 lakh crore in FY15 to ₹18.6 lakh crore in FY24. Household sector investment, the largest share in Gross Fixed Capital Formation, has contributed to the rising investment rate.

The banking sector has shown resilience, with credit growth outpacing deposit growth. The improvement in the banking sector's health is attributed to reforms, including the 'Asset Quality Review' (AQR) and the IBC. Recapitalization, regulatory measures, and initiatives like ECLGS have supported credit creation. NPAs have declined, and public sector banks have witnessed improved net interest margins and returns on assets and equity.

In the bonds segment, the stability of the spread between the US 10-year treasury yield and the India 10-year sovereign bond yield, attributed to the government's fiscal discipline and RBI's effective inflation management, has contributed to India's robust macroeconomic fundamentals. The corporate bond market has witnessed significant growth, with issuances in FY23 being 2.9 times those in FY2014. Outstanding corporate bonds grew at a CAGR of 12.8 percent between FY2014 and FY23, and the market is expected to double from ₹43 lakh crore in FY24 to ₹100-120 lakh crore in FY30.

Initiatives such as the RBI's Retail Direct scheme, sovereign green bonds, SEBI's regulations for InvITs, REITs and Municipal Bonds, and mandatory debt securities issuance for large corporates have contributed to the expansion and deepening of the bond market. Investor interest is evident, with JP Morgan including India's sovereign bonds in its widely tracked Emerging Markets Government Bond Index, which is expected to attract more inflows and reduce government borrowing costs.

Looking ahead, India's financial markets are anticipated to play a crucial role in financing the country's capital investment needs. Increased access to these markets will enable a broader investor base to diversify investments and grow savings more securely. However, emphasis on financial literacy is essential alongside investments in financial assets.

In terms of social enablers, investments in child immunization and sanitation have yielded positive externalities, benefitting the least privileged sections of society. Social security schemes like Atal Pension Yojana, PM Jeevan Jyoti Yojana, and PM Suraksha Bima Yojana have seen remarkable progress, with the subscriber base of Atal Pension Yojana reaching 6.1 crore in December 2023.[14]

### 1.2.2 Domestic Inflation

In March 2024, headline inflation in India, moderated to 4.9 percent from 5.1 percent in February 2024. This decline was primarily

[14]Source: - The Indian Economy - A Review (DEA)

driven by a month-on-month decrease in fuel prices by 2.6 percent, offsetting modest increases in both food and core (excluding food and fuel) groups. Food inflation also moderated to 7.7 percent in March 2024 from 7.8 percent in February, with notable declines observed in the prices of fruits, vegetables, pulses, and spices. Conversely, inflation in cereals, meat, and fish prices increased, while deflation in oils and fats narrowed. Deflation in fuel and light group prices deepened to -3.2 percent in March from -0.8 percent in February, mainly due to a year-on-year decline in LPG prices. Core inflation further eased to 3.3 percent in March, the lowest in the current CPI series, with inflation softening across various sub-groups except personal care and effects, and recreation and amusement. In terms of regional distribution, rural CPI inflation increased slightly to 5.4 percent, while urban CPI inflation moderated to 4.1 percent. High-frequency food price data indicated a modest decline in cereal prices, while pulses prices continued to rise. Edible oil prices, which had been declining, stabilized. The PMIs for March 2024 showed an increase in input costs across manufacturing and service firms, with service firms experiencing their fastest price increases in six-and-a-half years. Additionally, the latest RBI's inflation survey revealed a 20 basis points easing in inflation expectations of households for both three-month and one-year ahead horizons.[15]

### 1.2.3 Monetary Management

During the October 2023 meeting of the MPC meeting, global growth and trade were observed to be losing momentum, while inflation remained elevated in major economies, albeit gradually easing. Despite concerns about prolonged high interest rates and their impact on financial conditions, domestic headline inflation surged in July 2023 due to a spike in vegetable prices, although core inflation softened. The MPC retained the CPI inflation projection for 2023-24 at 5.4 percent, anticipating the transitory nature of the surge in vegetable prices. Despite external challenges, domestic economic activity demonstrated resilience, leading to the retention of the real GDP growth projection for 2023-24 at 6.5 percent. The MPC highlighted concerns about food price shocks impacting inflation trajectory and decided unanimously to maintain the policy repo rate at 6.50 percent, with a majority vote of 5-1 to maintain focus on the withdrawal of accommodation to align inflation with the target while supporting growth.

By the December 2023 meeting, receding global inflation prompted expectations of a reversal in the monetary policy cycle in AEs. Improved market sentiments were noted alongside declining sovereign bond yields, a weakening US dollar, and strengthening global equity markets. In India, CPI headline inflation had declined to 4.9 percent in October 2023 from an average of 6.4 percent in the previous quarter. The MPC revised the real GDP growth projection for 2023-24 upward to 7.0 percent while retaining the inflation projection at 5.4 percent. Despite ongoing food price shocks, the MPC unanimously decided to maintain the policy repo rate at 6.50 percent to continue with the stance of withdrawal of accommodation.

Heading into the February 2024 meeting, headline CPI inflation rose to 5.7 percent in December 2023 due to increased vegetable prices, while core inflation fell to a four-year low of 3.8 percent. The MPC projected CPI inflation to decline to 4.5 percent in 2024-25, assuming a normal monsoon. Real GDP growth for 2023-24 was placed at 7.3 percent according to the first advance estimates (FAE) released by the NSO, with a projection of 7.0 percent for 2024-25. The MPC maintained the policy repo rate at 6.50 percent by a majority

[15] Source: - RBI State of the Economy, March 2024

vote of 5-1 while retaining the stance of withdrawal of accommodation. Despite global growth resilience, geopolitical tensions and uncertainties around monetary policy trajectories continue to impact global financial markets. Growth prospects in EMDEs remain promising, albeit with downside risks stemming from weak global demand, trade impediments, volatile capital flows, and tight financial conditions. Central banks are urged to cautiously modulate their monetary policies to support inflation descent to target levels while fostering growth recovery.[16]

The rise in global average temperatures, coupled with the surge in extreme weather events, has brought forth the tangible economic and social ramifications of climate change. It also impacts the monetary policy as climate change unfolds through various channels. Firstly, it directly impacts inflation by disrupting agricultural production and global supply chains through adverse weather occurrences. Secondly, the evolving climate dynamics may influence the natural rate of interest, stemming from rising temperatures and the proliferation of extreme weather events, which can reduce productivity and diminish potential output. Thirdly, the aftermath of climate change could lead to a reduction in the efficacy of monetary policy actions in shaping the financing landscape for households and firms. Hence, central banks are increasingly integrating explicit considerations of climate risks into their analytical frameworks.

In the absence of proactive climate mitigation measures, the trajectory of long-term output is expected to exhibit a decline of approximately 9 percent by 2050 compared to a scenario bereft of climate change, with the full transference of the physical risks of climate change onto the economy. Concurrently, both inflation and its volatility may experience an uptrend over time. The decline in productivity could precipitate a reduction in the natural rate of interest. Furthermore, recurrent inflationary shocks may necessitate a more stringent monetary policy stance, even amidst a diminished natural rate of interest. Additionally, should inflation hysteresis become entrenched, the dislodging of inflation expectations could ensue.[17]

## 1.3 Indian Financial Markets

Domestic financial markets in India remained relatively stable amidst global fluctuations. Money market rates adjusted according to liquidity shifts, while long-term government bond yields eased in response to domestic developments. During the second half of the fiscal year 2023-24, global financial markets exhibited volatility as investors speculated on the trajectory of monetary policy. Sovereign bond yields initially moderated from October 2023 but began to rise again since January 2024. Despite this, global equity markets maintained their buoyancy in several advanced and emerging market economies. In the currency markets, the US dollar strengthened in the third quarter of the fiscal year due to tight labour market conditions, easing inflation, resilient economic growth, and hawkish commentary from the Federal Reserve regarding its policy stance. As a result, emerging market currencies experienced volatility amid significant fluctuations in capital flows. In contrast, domestic financial markets remained relatively stable during this period. Money market rates adjusted in line with liquidity shifts, while long-term government bond yields eased in response to domestic factors. Equity markets showed resilience with occasional corrections, and the Indian Rupee exhibited the least volatility among major emerging market currencies. Additionally, growth in bank credit outpaced

[16]Source: - RBI MPC Report, April 2024
[17]Source: - Ibid

deposit expansion in the credit market, indicating robustness in lending activities.[18]

### 1.3.1 G-Sec Market

During the second half of the fiscal year 2023-24, G-sec yields demonstrated a softening trend, influenced by a combination of domestic and global factors. Initially, in the third quarter of the fiscal year, yields experienced a slight uptick but later softened, driven by factors such as lower-than-expected domestic CPI prints for October and November, a decrease in crude oil prices, the proposed inclusion of Indian Government bonds in a major global emerging market index, and a decline in US yields. The 10-year G-sec yield, in particular, decreased by 2 bps in the third quarter, closing at 7.20 percent. This moderation continued into January 2024 due to lower-than-expected supply of state government securities, with yields further easing in February 2024 following the announcement of reduced gross market borrowings in the Interim Budget 2024-25. Overall, the 10-year G-sec yield fell by 13 bps in the fourth quarter to 7.07 percent, marking a cumulative decline of 15 bps in the second half of the fiscal year. Additionally, T-bill yields saw a hardening trend across tenors amid liquidity tightening conditions. Despite this, trading volume in G-secs increased in the second half of the fiscal year compared to the corresponding period of the previous year, tracking the softening of yields. The weighted average yield (WAY) on traded maturities for G-secs declined by 11 bps, while that on T-bills increased by 31 bps in the second half of the fiscal year. This softening of yields was reflected across the term structure, as indicated by the downward shift of the curve, with the average level of yields softening by 22 bps and the slope flattening by 37 bps.[19]

[18]Source: - RBI Monthly Bulletin, March 2024

[19]Source: - RBI MPC Report, April 2024

### 1.3.2 Corporate Bond Market

During the second half of the fiscal year 2023-24, corporate bond yields experienced a general tightening, while spreads widened, influenced by liquidity constraints and regulatory measures impacting consumer credit and bank credit to NBFCs. Notably, the average yield on AAA-rated 3-year bonds issued by PSUs, FIs, and banks softened by 2 basis points (to 7.63 percent), reflecting easing G-sec yields. Conversely, yields on bonds issued by NBFCs and corporates increased by 14 basis points (to 7.98 percent) and 12 basis points (to 7.95 percent), respectively, in March 2024 compared to September 2023, indicative of stricter regulations on NBFCs. The risk premium, measured as the spread over 3-year G-sec yields, widened across all sectors, with PSUs, FIs, and banks seeing an increase from 33 basis points to 44 basis points, NBFCs from 51 basis points to 80 basis points, and corporates from 51 basis points to 77 basis points, respectively, during the second half of the fiscal year.

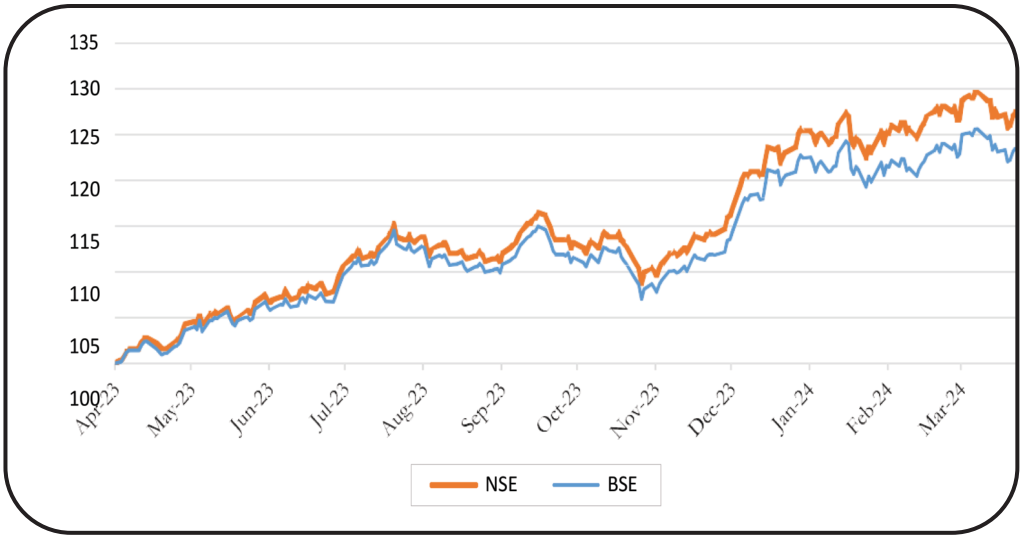
Primary issuances of listed corporate bonds decreased to ₹3.6 lakh crore during the second half of the fiscal year (up to February 2024) from ₹3.9 lakh crore during the corresponding period of the previous year. However, overseas issuances witnessed an increase. Nearly all resource mobilization in the corporate bond market (97.9 percent) occurred through the private placement route (up to February 2024). FPIs marginally increased their investments in corporate bonds to ₹1.08 lakh crore at the end of March 2024, up from ₹1.03 lakh crore at the end of September 2023, with the utilization of approved limits rising from 15.4 percent to 16.2 percent. Despite rising FPI inflows in the sovereign debt segment ahead of India's inclusion in global bond indices, this trend did not significantly impact the corporate debt market. Secondary market activity saw a slight increase, with daily average trading volume reaching ₹5,500 crore during the second half of the fiscal year (up to the end of February 2024), a 3.2 percent rise compared to the corresponding period of the previous year. [20]

### 1.3.3 Equity Market

Equity markets exhibited buoyancy with occasional corrections, and the Indian Rupee demonstrated the least volatility among major emerging market currencies. Bank credit growth outpaced deposit expansion in the credit market. The P/E ratio of S&P BSE Sensex and Nifty rose to 25.0 and 22.9, respectively, in March 2024 compared to the previous month. [21] In the second half of 2023-24, overnight money market rates initially mirrored the marginal standing facility rate, indicating tight liquidity conditions due to high government cash balances and increased currency demand. Despite initial declines due to geopolitical tensions, domestic equity markets rebounded with positive corporate earnings and expectations of rate cuts by major central banks. Although disruptions to global shipping channels and cautious comments from central banks briefly affected market sentiment, moderation in domestic CPI inflation and positive global cues kept domestic equity markets buoyant in February and early March 2024. Indian equity markets experienced intermittent corrections in March amid regulatory concerns before rebounding on dovish comments by the US Fed. Overall, the BSE Sensex gained 11.9 percent during the second half of 2023-24, closing at 73,651, while the BSE MidCap and BSE SmallCap indices rose by 21.6 percent and 14.9 percent, respectively. Despite volatile FPI flows, both foreign and domestic institutional investors remained net buyers in equities during the period. SIP contributions through mutual funds continued to reach new highs each month. Primary market resource mobilization in equity markets increased significantly during the second half of 2023, with a substantial rise in funds raised through SME IPOs/FPOs compared to the previous year.[22]

**Chart 1.1 Equity Indices movement**

**Movement of S&P BSE Sensex and Nifty 50**




*Source: BSE and NSE*

*Note: Both the Indices have been indexed to 100 as on March 31,2023*

[20]Source: - RBI MPC Report, April 2024
[21]Source: - SEBI Monthly Bulletin, March 2024
[22]Source: - RBI MPC Report, March 2024

## 1.4 Review of Global Pension Markets

In the OECD countries, 18 percent of the population was aged 65 and over, a figure that is projected to rise to 27 percent by 2050. Historically, policymakers have focused on the fiscal impacts of aging and funding old-age security, implementing pension reforms to ensure financial and social sustainability. Many OECD countries have introduced and promoted complementary private funded pensions, alongside efforts to extend working lives to enhance system contributions and reduce pay-outs.

Over the past decade, the focus has shifted towards enhancing the employment and employability of older workers, a priority intensified post-COVID due to widespread labour shortages. Despite economic slowdowns, job vacancies remained high in 2023. In response, numerous OECD countries have increased statutory retirement ages, curbed early retirement, and offered incentives for longer working lives. These measures are supported by rising life expectancy, which has increased significantly since 1970.

Pension assets experienced a significant recovery in 2023, following a challenging year in 2022. The preliminary data reveal an overall increase in pension assets by 8.6 percent (Nominal Growth) in OECD countries and over 14 percent in non-OECD jurisdictions. This growth was primarily driven by positive investment returns from bond and equity markets, along with inflation and wage growth in certain countries. Despite this recovery, total pension assets in the OECD remain 7 percent lower than their 2021 levels due to the substantial losses incurred in 2022.[23]

### Chart 1.2 Assets in asset-backed pension arrangements at end-2023

**Table 1. Assets in asset-backed pension arrangements at end-2023 (preliminary)**

| OECD countries | % change since: end-2021 | % change since: end-2022 | in USD million | % of GDP | data coverage |
|---|---|---|---|---|---|
| Australia | 6.1 | 8.9 | 2,168,862 | 127.6 | all available plans |
| Austria | -5.2 | 6.9 | 36,542 | 6.9 | all available plans |
| Belgium | .. | 13.4 | 49,302 | 7.6 | 24% of available plans |
| Canada | -4.8 | 0.6 | 1,601,107 | 75.7 | 51% of available plans |
| Chile | 14.9 | 10.1 | 191,109 | 59.2 | all available plans |
| Colombia | 11.8 | 15.8 | 104,600 | 25.4 | all system |
| Costa Rica | 14.5 | 14.7 | 35,000 | 38.9 | all system |
| Czechia | 7.5 | 3.0 | 27,621 | 8.4 | all system |
| Denmark | -4.6 | 4.2 | 825,625 | 200.0 | all system |
| Estonia | 13.1 | 23.5 | 6,436 | 15.5 | all system |
| Finland | -1.5 | 5.3 | 168,466 | 54.9 | 91% of available plans |
| France | -12.1 | 7.4 | 269,576 | 8.7 | 82% of system |
| Germany | -8.4 | 4.7 | 290,659 | 6.4 | all available plans |
| Greece | 21.3 | 22.4 | 2,465 | 1.0 | all available plans |
| Hungary | 16.5 | 19.7 | 9,690 | 4.5 | all available plans |
| Iceland | 9.2 | 9.6 | 56,673 | 180.4 | all system |
| Ireland (1) | .. | .. | 129,467 | 23.2 | all available plans |
| Israel | 6.8 | 10.7 | 330,231 | 64.1 | all available plans |
| Italy | 4.7 | 9.0 | 260,041 | 11.3 | all system |
| Japan | 1.5 | 2.6 | 1,206,513 | 28.9 | all available plans |
| Korea | 13.8 | 8.7 | 577,043 | 33.3 | all system |
| Latvia | 16.9 | 23.8 | 8,711 | 19.5 | all system |
| Lithuania | 21.0 | 27.0 | 8,199 | 10.3 | all system |
| Luxembourg | -30.1 | -15.7 | 1,491 | 1.7 | all available plans |
| Mexico | 13.6 | 13.8 | 351,375 | 18.7 | 89% of available plans |
| Netherlands | -14.2 | 8.9 | 1,741,575 | 152.4 | all available plans |
| New Zealand | 3.6 | 10.4 | 86,651 | 33.1 | all system |
| Norway | 4.1 | 9.4 | 46,759 | 9.3 | all available plans |
| Poland | 9.4 | 32.6 | 53,083 | 6.1 | 76% of system |
| Portugal | -22.2 | -9.3 | 36,173 | 12.3 | 91% of available plans |
| Slovak Republic | 14.7 | 17.3 | 19,545 | 14.4 | all system |
| Slovenia | 8.8 | 11.9 | 4,908 | 7.0 | all system |
| Spain | -5.5 | 4.7 | 179,355 | 11.1 | all system |
| Sweden | 25.8 | 17.1 | 27,236 | 4.3 | 4% of available plans |
| Switzerland | -2.1 | 5.4 | 1,329,905 | 140.5 | 88% of system |
| Türkiye | 210.5 | 73.3 | 25,729 | 2.8 | all available plans |
| United Kingdom (2) | -29.1 | -3.0 | 2,426,318 | 74.5 | all available plans |
| United States | -4.4 | 9.5 | 38,380,279 | 140.3 | all system |
| Total (3) | -6.9 | 8.6 | 53,074,322 | 82.4 | 95% of available plans |

| Selected other jurisdictions | % change since: end-2021 | % change since: end-2022 | in USD million | % of GDP | data coverage |
|---|---|---|---|---|---|
| Albania | 46.9 | 18.2 | 72 | 0.3 | all system |
| Angola | 51.6 | 27.5 | 1,132 | 1.5 | all available plans |
| Armenia | 65.5 | 42.2 | 1,975 | 8.4 | all available plans |
| Botswana | 15.7 | 17.9 | 10,360 | 50.0 | all system |
| Brazil | 29.2 | 14.6 | 301,459 | 13.4 | 54% of system |
| Bulgaria | 17.4 | 19.4 | 13,010 | 12.5 | all system |
| Croatia | 15.3 | 15.6 | 24,263 | 28.9 | all system |
| Dominican Republic | 26.0 | 13.9 | 17,361 | 15.1 | all system |
| Egypt | 22.7 | 10.0 | 4,506 | 1.4 | all system |
| Georgia | 122.2 | 47.6 | 1,636 | 5.5 | all system |
| Ghana | 81.0 | 43.5 | 4,268 | 6.0 | all system |
| Guyana | 21.7 | -2.2 | 518 | 3.0 | all system |
| Hong Kong (China) | -7.4 | 2.2 | 183,202 | 48.5 | all system |
| India | 56.2 | 27.9 | 131,365 | 3.7 | 28% of available plans |
| Jamaica | 4.5 | 6.1 | 4,834 | 25.5 | all system |
| Kazakhstan | 32.3 | 21.8 | 39,317 | 15.0 | all system |
| Kenya | 11.5 | 9.5 | 11,028 | 11.4 | all system |
| Kosovo* | 14.8 | 12.1 | 2,997 | 28.0 | all system |
| Lesotho | .. | 21.0 | 869 | 37.8 | all available plans |
| Macau (China) | 7.5 | 9.4 | 5,272 | 11.2 | all system |
| Malawi | 92.2 | 48.1 | 1,445 | 16.0 | all available plans |
| Maldives | 24.7 | 12.1 | 1,424 | 21.3 | all system |
| Morocco | 15.8 | 10.3 | 8,197 | 5.6 | all system |
| Namibia | 11.4 | 15.3 | 12,704 | 103.6 | all system |
| Nigeria | 36.7 | 22.4 | 20,398 | 7.8 | all system |
| North Macedonia | 27.8 | 18.7 | 2,495 | 16.5 | all system |
| Papua New Guinea | .. | 11.7 | 4,828 | 16.4 | all system |
| Peru | -7.9 | 16.0 | 33,110 | 12.3 | all system |
| Romania | 42.1 | 31.4 | 29,246 | 8.3 | all system |
| Serbia | 9.5 | 11.5 | 508 | 0.7 | all system |
| Suriname | 65.7 | -15.7 | 308 | 8.2 | all available plans |
| Uruguay | 14.0 | 12.9 | 22,655 | 29.5 | all system |
| Zambia | 33.1 | 25.3 | 643 | 2.9 | all available plans |
| Total (3) | 18.3 | 14.3 | 897,406 | 10.2 | 62% of available plans |

Note: ".." means not available. See the end of this factsheet for methodological notes and detailsfor some jurisdictions.

Source: OECD Global Pension Statistics; National Bank of Belgium; Bank of Japan; EIOPA (for Sweden); Swiss Occupational Pension Supervisory Commission.

*Source: - Pension Markets in Focus - Preliminary 2023 Data, June 2024*

[23] Source: - Pension Markets in Focus - Preliminary 2023 Data, June 2024

Nearly all pension plans reported positive investment returns in 2023. The rise in equity valuations, cuts in interest rates, and higher yields in bank deposits significantly contributed to this positive performance. Higher wages and inflation rates increased contributions levied on salaries in various countries. Some countries have implemented policies to bolster their pension systems, such as mandatory participation in pension plans and automatic enrolment programs.

The recent surge in inflation in CY2023 has complicated pension indexation, with price indexation now more favourable for pensioners than wage indexation, despite being costlier for public finances. Over half of OECD countries fully protect pensioners from inflation, frequently indexing pensions to maintain purchasing power. However, these adjustments have increased financial strain, raising debates about whether high-income pensioners should share the burden. The real value of pensions decreased in January 2023 compared to January 2022 due to inflation surpassing wage growth, leading to pension deficits and broader public finance issues. Thus, balancing pension adequacy with fiscal sustainability remains a critical challenge.

Public pension spending has increased across most OECD countries and is projected to continue rising, reaching 10.2 percent of GDP by 2050 from 8.9 percent in 2020-23. While occupational and personal pension plans coexist, the importance of defined contribution plans has grown, often at the expense of defined benefit plans. [24]

In the CY 2022 witnessed widespread investment losses due to higher interest rates and falling equity valuations. The simultaneous decline in bond and equity prices, crucial components of retirement portfolios, resulted in significant nominal investment losses. The situation was further exacerbated by high inflation rates, leading to negative real rates of return in many countries. Despite these challenges, the positive valuation gains from previous years helped mitigate the impact of negative returns on the long-term performance of asset-backed pension systems.

Higher employment rates and nominal wages played a role in increasing the participation in pension plans and contributions. Improved employment rates led to a higher proportion of the working-age population covered by pension plans, especially those with mandatory worker participation. Combined with rising nominal wages, this contributed to an overall increase in contributions to pension plans in most jurisdictions. However, in voluntary systems, the impact of high inflation may have hindered some individuals' ability to save for retirement.

In CY2022, asset-backed pension systems faced simultaneous declines in bond and equity prices due to rising interest rates. The fall in interest rates devalued bonds in pension portfolios, while global equity markets also experienced declines. This resulted in overall negative rates of return in nominal terms for pension plans in many jurisdictions. Losses were not limited to equities and bonds; other financial instruments, including interest-rate derivatives and real estate investments, also contributed to negative returns.

However, changes in foreign exchange rates benefited pension plans in some countries. The rapid rise in interest rates in the United States made US dollars attractive, resulting in foreign exchange gains for investors who sold other currencies. This offset some investment losses and even led to positive returns in certain countries. The method of valuing assets influenced investment performance results. For instance, pension funds using an amortized cost method based on effective

[24]Source: - Pensions at a Glance, 2023 (February 2024 Update)

interest rates experienced little impact on the value of bond holdings following the rise in interest rates. Elevated inflation turned nominal gains into real losses, with negative real rates of return for pension plans in most OECD and non-OECD countries.

Despite the challenges in CY2022, strong investment gains in previous years helped compensate for losses in many jurisdictions. However, some countries failed to generate positive cumulative returns above inflation over the past 20 years due to conservative investment strategies. In response to uncertainties, many countries reduced their proportion of pension assets invested in equities in CY2022. This shift occurred even in countries that encouraged risk-taking in their default investment strategies. The amount of assets accumulated by pension plans depends on investment income, contributions, and outpayments.[25]

**Chart 1.3 Nominal investment rates of return of asset-backed pension arrangements**

**Dec 2021 - Dec 2022 and Dec 2022 - Dec 2023 (preliminary)**

| Selected OECD countries | 2022 | 2023 |
|---|---|---|
| Australia | -1.9 | 7.8 |
| Austria | -10.2 | 6.4 |
| Belgium | -14.8 | 9.8 |
| Chile | 3.0 | 7.5 |
| Colombia | -4.2 | 13.6 |
| Costa Rica | -3.4 | 10.0 |
| Czechia | 0.4 | 4.7 |
| Denmark | -14.2 | 7.0 |
| Estonia | -9.2 | 10.6 |
| Finland | -5.1 | 5.9 |
| Greece | -8.8 | 8.8 |
| Hungary | -7.1 | 19.2 |
| Iceland | -3.3 | 8.2 |
| Israel | -3.8 | 9.7 |
| Italy | -7.3 | 6.7 |
| Korea | 0.2 | 5.3 |
| Latvia | -15.0 | 11.3 |
| Lithuania | -14.7 | 12.6 |
| Mexico | -4.1 | 8.3 |
| Netherlands | -21.1 | 8.8 |
| Norway | -5.7 | 7.9 |
| Poland | -16.1 | 30.2 |
| Portugal | -10.5 | 7.8 |
| Slovak Republic | -10.6 | 9.1 |
| Slovenia | -7.3 | 5.5 |
| Spain | -9.0 | 9.0 |
| Türkiye | 49.6 | 46.0 |
| United States | -12.8 | 10.0 |

| Selected other jurisdictions | 2022 | 2023 |
|---|---|---|
| Albania | 3.8 | 3.8 |
| Angola | 9.0 | 10.2 |
| Armenia | -7.9 | 15.3 |
| Brazil | 0.4 | 0.7 |
| Bulgaria | -10.3 | 8.9 |
| Croatia | -5.2 | 9.6 |
| Dominican Republic | 5.4 | 8.4 |
| Egypt | 11.3 | 10.9 |
| Georgia | 7.4 | 11.7 |
| Ghana | 17.7 | 26.2 |
| Guyana | 19.3 | 5.1 |
| Hong Kong (China) | -15.4 | 3.4 |
| India | 3.6 | 9.3 |
| Kazakhstan | 6.3 | 9.6 |
| Kenya | 2.6 | 4.6 |
| Kosovo* | -5.4 | 3.1 |
| Lesotho | 11.8 | 3.2 |
| Macau (China) | -8.2 | 4.2 |
| Malawi | 19.6 | 36.8 |
| Maldives | 4.3 | 3.8 |
| Morocco | 1.5 | 5.0 |
| Namibia | -0.9 | 16.0 |
| Nigeria | 8.2 | 15.0 |
| North Macedonia | -2.4 | 7.3 |
| Papua New Guinea | 2.7 | 3.8 |
| Peru | -8.2 | 9.3 |
| Romania | -3.1 | 16.8 |
| Serbia | -1.2 | 7.7 |
| Suriname | 19.7 | 13.6 |
| Zambia | 12.7 | 21.4 |

Note: See the end of this factsheet for methodological notes and details for some jurisdictions.
Source: OECD Global Pension Statistics and Pension Markets in Focus 2023.

*Source: - Pension Markets in Focus, 2023*

[25] Source: - Pension Markets in Focus, 2023

## Chart 1.4 Geometric Average of Annual Real Investment Rates over the last 5, 10, 15 and 20 years

**Pension plans**

| Selected OECD countries | 5-yr average | 10-yr average | 15-yr average | 20-yr average |
|---|---|---|---|---|
| Australia | 3.3 | 5.4 | 2.8 | 4.0 |
| Austria | -2.9 | 0.2 | -0.3 | 0.8 |
| Canada | 1.7 | 3.9 | 3.6 | 4.1 |
| Chile | 0.1 | 2.0 | 1.4 | 3.1 |
| Colombia | 0.2 | 1.4 | 3.8 | 4.8 |
| Costa Rica | 3.8 | 5.1 | 3.7 | .. |
| Czechia | -4.7 | -2.4 | -1.7 | -1.0 |
| Denmark | -0.8 | 1.9 | 2.6 | 3.3 |
| Estonia | -4.1 | -1.0 | -2.2 | -1.1 |
| Finland | 1.6 | 3.6 | .. | .. |
| Germany | -0.6 | 1.2 | 1.6 | 1.9 |
| Greece | -0.7 | .. | .. | .. |
| Hungary | -6.3 | -0.3 | .. | .. |
| Iceland | 3.6 | 4.2 | 1.7 | 3.3 |
| Ireland | 1.1 | .. | .. | .. |
| Israel | 3.5 | 4.7 | 3.8 | .. |
| Italy | -2.5 | 0.2 | 0.3 | 0.9 |
| Latvia | -6.3 | -2.2 | -1.8 | -1.9 |
| Lithuania | -4.6 | -0.5 | .. | .. |
| Luxembourg | -3.2 | -0.2 | -0.2 | .. |
| Mexico | 0.3 | 0.5 | 1.4 | .. |
| Netherlands | -3.2 | 1.3 | 1.8 | 3.1 |
| Norway | 0.2 | 2.4 | 2.2 | 3.5 |
| Poland | -7.2 | .. | .. | .. |
| Portugal | -1.8 | 0.8 | 0.0 | 1.6 |
| Slovak Republic | -4.4 | -1.4 | -1.7 | .. |
| Slovenia | -2.6 | 1.2 | 2.0 | .. |
| Spain | -1.8 | 1.1 | 0.6 | .. |
| Switzerland | 0.8 | 2.9 | 2.3 | 2.8 |
| Türkiye | -3.5 | -2.2 | -0.3 | .. |
| United States | -1.4 | 1.4 | -0.1 | 1.0 |

| Selected other jurisdictions | 5-yr average | 10-yr average | 15-yr average | 20-yr average |
|---|---|---|---|---|
| Albania | 0.7 | 2.0 | 2.7 | .. |
| Armenia | 0.1 | .. | .. | .. |
| Botswana | 0.6 | .. | .. | .. |
| Bulgaria | -5.8 | -0.7 | -2.2 | -0.8 |
| Croatia | -1.6 | .. | .. | .. |
| Dominican Republic | 3.3 | 5.8 | 6.3 | .. |
| Egypt | 2.4 | .. | .. | .. |
| Guyana | -0.9 | .. | .. | .. |
| Hong Kong (China) | -2.6 | -0.1 | .. | .. |
| Indonesia | 3.3 | 3.6 | .. | .. |
| Kazakhstan | -0.4 | .. | .. | .. |
| Kosovo* | -2.4 | 1.2 | .. | .. |
| Liechtenstein | -0.4 | 2.6 | 1.7 | .. |
| Malawi | 3.5 | 3.4 | .. | .. |
| Maldives | 4.4 | 4.9 | .. | .. |
| Nigeria | -4.0 | -2.2 | .. | .. |
| North Macedonia | -0.7 | 2.4 | 1.9 | .. |
| Pakistan | -6.0 | .. | .. | .. |
| Peru | -1.7 | 0.3 | 0.1 | 3.3 |
| Romania | -2.1 | 1.6 | .. | .. |
| Serbia | -1.8 | 2.9 | 1.1 | .. |
| Suriname | -14.5 | .. | .. | .. |
| Uruguay | -0.2 | 2.1 | 3.9 | .. |
| Zambia | 0.1 | 2.4 | 3.0 | .. |

**Selected OECD public pension reserve funds**

| Selected reserve funds | 5-yr average | 10-yr average | 15-yr average | 20-yr average |
|---|---|---|---|---|
| Australia's Future Fund | 3.9 | 6.3 | 4.9 | .. |
| Canada's CPP reserves | 4.6 | 7.4 | 5.7 | 6.5 |
| Canada's QPP reserves | 2.5 | 6.0 | .. | .. |
| Chile's Pension Reserve F | 1.5 | 2.9 | 2.2 | .. |
| Finland's Keva | 1.3 | 3.9 | 2.9 | .. |
| Finland's VER | 1.1 | 3.4 | 2.7 | 3.8 |
| France's FRR | -2.1 | 1.5 | 0.5 | .. |
| Japan's GPIF | 4.1 | 4.4 | 3.9 | 3.9 |
| Korea's GEPF | 1.7 | .. | .. | .. |
| Korea's NPF | 1.9 | 2.9 | 2.9 | .. |
| Luxembourg's FDC | 0.2 | 2.5 | 2.3 | .. |
| New Zealand Superannua | 4.8 | 8.6 | 7.2 | 7.2 |
| Norway's GPFN | 2.3 | 5.2 | 4.3 | 5.6 |
| Poland's Demographic Re | -5.0 | -1.3 | -0.6 | 1.3 |
| Spain's Social Security Re | -4.7 | -0.4 | 0.4 | 0.3 |
| Sweden AP1 | 2.6 | 5.7 | 4.2 | .. |
| Sweden AP2 | 1.1 | 5.0 | 3.7 | 5.6 |
| Sweden AP3 | 3.9 | 6.8 | 4.7 | .. |
| Sweden AP4 | 2.8 | 6.7 | 5.2 | 6.3 |
| Sweden AP6 | 12.2 | 10.4 | 6.6 | 7.3 |
| Switzerland's AHV Centra | -0.8 | 2.1 | .. | .. |
| US OASI Trust Fund | -1.1 | 0.4 | 1.2 | 1.5 |

*Source: - Pension Markets in Focus, 2023*

### 1.4.1 Pension Fund Assets in the OECD

Heightened inflation transformed nominal investment gains into actual losses and exacerbated the magnitude of nominal losses in real terms. Real rates of return for pension plans were negative across all OECD nations and nearly all reported non-OECD jurisdictions. Particularly in countries experiencing significant inflation surges, such as Hungary, Latvia, and Lithuania, with annual rates exceeding 20 percent by December 2022, real rates of return were notably depressed.

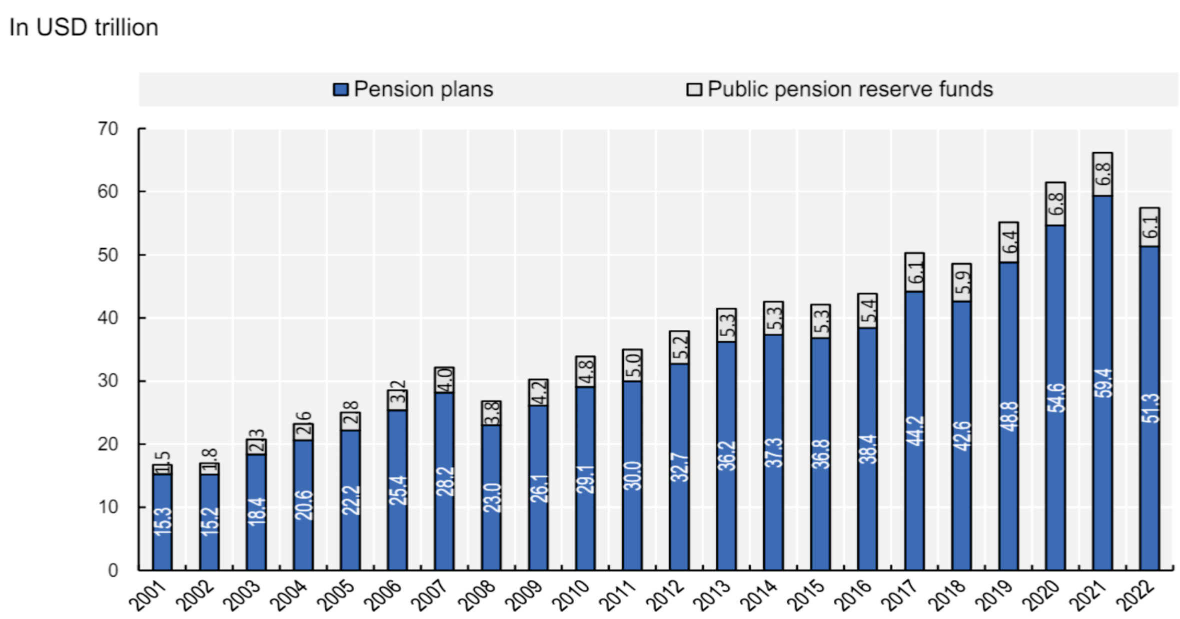
The proportion of assets allocated to investments beyond equities, bonds, and cash (including collective investment schemes when individual asset visibility is limited) increased in 30 out of 35 reporting OECD countries, 27 out of 38 non-OECD jurisdictions, and 12 out of 20 selected OECD public pension reserve funds.

The macroeconomic landscape of 2022, marked by increased employment rates and nominal wages alongside elevated inflation, likely impacted the revenue streams supporting public reserves. Public pay-as-you-go (PAYG) pension arrangements differ in funding structure from pension plans, as they don't cater to a specific member base from whom contributions are collected and to whom benefits are disbursed. Public reserves draw revenue from various sources, including contributions exceeding benefit pay-outs from the public PAYG scheme, privatization proceeds, earmarked contributions, taxes, special or one-time contributions, and fiscal transfers. The effect of macroeconomic developments on revenues hinges on their influence on PAYG contributions and benefit disbursements.

In the OECD area, the value of assets earmarked for retirement declined in 2022, contrasting with the long-term upward trend observed in recent decades. Pension plan assets in the OECD decreased by 14 percent, from USD 59 trillion at the end of 2021 to USD 51 trillion at the end of 2022, marking the largest drop since the 2008 global financial crisis, when assets fell by 18 percent. Similarly, public reserves contracted by 10 percent in 2022, exceeding the decline during the 2008 crisis, which amounted to 4 percent.

This overall decline in total assets in 2022 was primarily driven by losses in the largest pension markets. The United States held the highest volume of pension plan assets at the end of 2022 (USD 35 trillion), followed by Canada, the United Kingdom, Australia, the Netherlands, Switzerland, and Japan, where assets ranged from USD 1 to 4 trillion. Across these major markets, asset values declined when denominated in national currencies, ranging from 6 percent in Canada to 24 percent in the United Kingdom. Similarly, the largest public reserves experienced declines in CY2022, with a 1 percent decrease for the United States Old-Age and Survivors Insurance (OASI) Trust Fund, 5 percent for Japan's Government Pension Investment Fund (GPIF), and 6 percent for Korea's reserves in the Government Employees Pension Fund (GEPF) and the National Pension Fund (NPF).

**Chart 1.5 Assets Earmarked for retirement in the OECD, 2001-2022**




*Source: - Pension Markets in Focus, 2023*

These declines were even more pronounced when expressed in current US dollars, reflecting an appreciation of the US dollar against several major currencies in Cy2022

### 1.4.2 Investments trends

Assets designated for retirement are primarily allocated to bonds and equities, comprising over 70 percent of pension plan investments and nearly 90 percent of public pension reserve funds as of the conclusion of 2021. The distribution of assets varies among jurisdictions. Preference for bonds, particularly government bonds, may stem from their perceived income stability, lower risk profile compared to other instruments, limited domestic investment opportunities, guarantees, or recent pension plan introductions. Some regulations may mandate a minimum bond allocation, such as those employing a multi-fund structure with floors or requiring full investment in government bonds, as seen in the US Old-Age and Survivors Insurance Trust Fund.

Investors with higher equity allocations may pursue greater returns despite increased risks. The method of asset valuation can impact investment performance, as evidenced by the minimal impact of rising interest rates on government bond values when assets are valued using an amortized cost method based on effective interest rates. Although CY2022 saw losses in many jurisdictions, previous strong investment gains helped offset these losses.

Over the past few decades, pension plans in numerous reporting jurisdictions achieved average annual returns exceeding inflation, showcasing their positive investment performance. Similarly, public pension reserve funds also demonstrated positive real-term returns over 15 or 20 years where data are available. Bonds saw increased proportions in portfolios despite price declines in CY2022, indicating a potential shift back towards bonds following a period of low interest rates and investors seeking higher returns elsewhere.

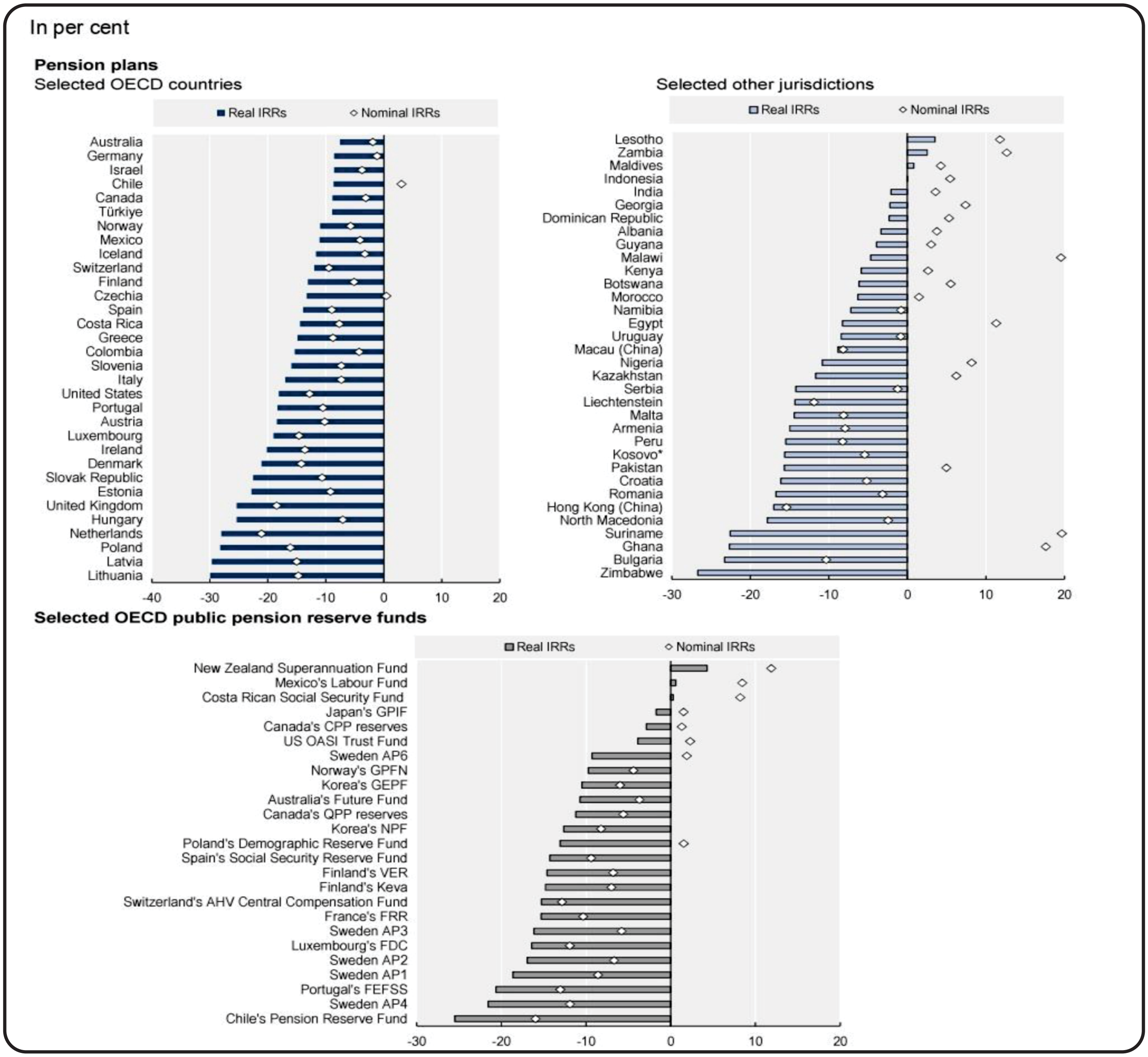
The proportion of assets allocated to alternative investments, beyond equities, bonds, and cash, also increased for both pension plans and public pension reserve funds in most reporting jurisdictions in CY2022. Alternative investments attracted asset managers seeking yield during the low-interest-rate environment and offered potential inflation hedging, particularly in Asia.

Certain jurisdictions encouraged alternative investments by pension plans by easing investment regulations. Public pension reserve funds also expanded their alternative investments, primarily driven by infrastructure, property, and other alternative allocations.

At the end of 2021, there was a slight shift observed in the allocation of pension assets among reporting jurisdictions. There was a small increase of 2 percentage points in the proportion of pension assets invested in equities, while the proportion allocated to bonds decreased by a similar extent. This shift may have been driven by the rising value of equities in portfolios or a strategic reallocation to take advantage of recovering stock markets.

Over the last 10 and 20 years, there has been a more noticeable trend of reducing investments in bonds. On average, among reporting jurisdictions, the proportion of investments in bonds declined by 8 percentage points over the last decade and by 17 percentage points over the last two decades. However, it's important to note that the decrease in bond investments was not always fully compensated by an equivalent increase in equity investments. For example, in Switzerland, pension funds reduced their bond investments by 10 percentage points between 2011 and 2021, while only allocating 6 percentage points to equities. Some of the reallocated funds may

**Chart 1.6 Nominal and Real IRR of asset backed Pension Systems (December 2021 - December 2022)**




*Source: - Pension Markets in Focus, 2023*

have been directed towards other types of investments.

While 2023 saw substantial recovery, the investment gains were not sufficient to fully offset the 2022 losses in some of the largest pension markets like Denmark, the Netherlands, and the United States. The performance of pension plans in these countries, which experienced significant investment losses in 2022, highlights the ongoing challenges in the pension sector.

## 1.5 Indian Demography and Old Age Income Security

Due to rising and unsustainable pension liabilities, in keeping with global practices and after deep deliberations on the issue, the

Government made a conscious move to shift from the defined benefit pension scheme to the defined contribution pension scheme. The New Pension Scheme, now renamed as National Pension System (NPS), was introduced by the Government through a notification No. 5/7/2003-ECB & PR dated December 22, 2003, and it was made mandatory for Central Government employees (except armed forces) who joined service w.e.f. January 1, 2004.

The NPS, which was initially introduced for the Central government subscribers, has now been adopted by all the state governments (except West Bengal and Tamil Nadu) and most of the Central and State autonomous bodies. NPS has also been extended to the private and unorganized sectors voluntarily since May 2009.

The Government of India vide notification dated January 31, 2019, has notified the increase in its contribution to central government employees' NPS accounts from 10 percent to 14 percent with effect from April 1, 2019. As per the notification, "*The monthly contribution would be 10 percent of the Basic Pay plus Dearness Allowance (DA) to be paid by the employee and 14 percent of the Basic Pay plus DA by the Central Government*". Subsequently, greater freedom in choosing pension funds and patterns of investment to central government employees has also been notified along with compensation for non/delayed deposit of NPS contribution.

## 1.6 Indian Pension Landscape

The landscape of the Indian pension system includes non-contributory social pension schemes financed by the Government to provide a minimum level of protection like the National Social Assistance Programme (NSAP), mandatory defined benefit pension scheme on a pay-as-you-go basis like Civil Service Pension for employees who joined service before 2004, Employees' Provident Fund (EPF) and Employees' Pension Scheme (EPS) under the EPFO, other statutory provident funds like Coal Mines, Seamen's and Assam Tea Plantations schemes; the National Pension System (NPS) for the Central government employees joining on or after January 1, 2004, on a mandatory basis, NPS for employees of state governments who have joined NPS, NPS for all citizens on voluntary basis covering both employees and self-employed including those in the unorganized sector, Public Provident Fund, retirement and superannuation plans offered by insurance companies and mutual funds.

The fiscal stress of the defined benefit pension system was the major factor driving pension reforms for Government employees and the introduction of NPS for Government employees. Owing to the financial and practical difficulties of extending coverage to the unorganized sector through mandatory schemes like EPF (especially for organized sector workers), voluntary retirement savings are seen as an important policy tool to extend the coverage of pension provision in India. An important policy measure to achieve higher coverage of the unorganized sector workers is the extension of the NPS to all citizens on a voluntary basis.

To encourage people from the unorganized sector to voluntarily save for their old age, the Government launched the co-contribution scheme – NPS Lite/Swavalamban scheme in September 2010 (the fresh enrolment under NPS lite Swavalamban scheme has been stopped w.e.f 01/04/2015). Subsequently, Atal Pension Yojana (APY) was launched on May 9, 2015, by the Prime Minister, and the scheme is being implemented with effect from June 1, 2015, with a focus on the unorganized sector. From 1st October, 2022, any citizen who is or has been an income-tax payer, shall not be eligible to join APY. The Subscribers under APY shall get a Government guaranteed pension of Rs. 1000, Rs. 2000, Rs. 3000, Rs. 4000 or Rs. 5000 depending upon the contribution level opted by them. The number of subscribers and Assets under Management under NPS is given in the table below:

**Table no 1.1: Number of Subscribers under NPS/APY**

*(As on March 31, 2024)*

| Sector | No. of subscribers (In Lakh) (as on March 31, 202 3) | No. of subscribers (in Lakh) (As on March 31, 2024 | Growth (In percent) (Y-o-Y) | Share as on March 31, 2024 (In percent) |
|---|---|---|---|---|
| Central Government | 23.97 | 26.07 | 8.76% | 3.54% |
| State Government | 60.96 | 65.96 | 8.20% | 8.97% |
| Corporate | 16.82 | 19.48 | 15.81% | 2.65% |
| All Citizen | 29.57 | 35.64 | 20.53% | 4.85% |
| NPS Lite* | 41.76 | 33.28 | - | 4.52% |
| APY | 459.47 | 555.12 | 20.82% | 75.47% |
| **Grand Total** | **632.55** | **735.55** | **16.28%** | **100%** |

*Source: - Market Watch, Policy Research and Systemic Risk Management Dept*

**Fresh Registrations have been stopped w.e.f 01/04/201*

As on March 31, 2024, a total of 735.55 lakh subscribers have been enrolled under the NPS and APY and recorded a year-on-year growth of 16.28 percent. APY, a defined benefit pension scheme, had 555.12 lakh subscribers as on March 31, 2024, with year-on-year growth of 20.82 percent.

**Table 1.2: Assets under Management under NPS/APY**

*(As on March 31, 2024)*

| Sector | AUM (Rs. crore) (as on March 31, 2023) | AUM (Rs. crore) (as on March 31, 2024) | AUM Growth (In percent) (Y-o-Y) | AUM Share (In percent) |
|---|---|---|---|---|
| Central Government | 2,57,638 | 3,22,215 | 25.07% | 27.48% |
| State Government | 4,49,186 | 5,82,673 | 29.72% | 49.69% |
| Corporate | 1,17,281 | 1,66,729 | 42.16% | 14.22% |
| All Citizen | 42,623 | 59,826 | 40.36% | 5.10% |
| NPS Lite* | 4,915 | 5,560 | 13.12% | 0.47% |
| APY | 26,700 | 35,647 | 33.51% | 3.04% |
| **Grand Total**** | **8,98,343** | **11,72,650** | **30.53%** | **100%** |

*Source: - Market Watch, Policy Research and Systemic Risk Management Dept*

**Fresh Registrations have been stopped w.e.f 01/04/2015*

***It does not include the AUM of the APY Gap Fund*

As on March 31, 2024, a total AUM under NPS and APY was at Rs. 11,72,650 Crores and recorded a year-on-year growth of 30.53 percent. In addition, there is AUM of Rs. 885.89 Crores in APY Gap Fund scheme.

**Table 1.3: Performance Highlights of National Pension System /Atal Pension Yojana during FY 2023-24**

*(In numbers)*

| Measures | At the end of FY 2022-23 | At the end of FY 2023-24 | Growth (In per cent) |
|---|---|---|---|
| Government Subscribers (In Lakhs) | 84.93 | 92.03 | 8.36% |
| All Citizen + Corporate Subscribers (In Lakhs) | 46.39 | 55.12 | 18.82% |
| APY Subscribers (In Lakhs) | 459.47 | 555.12 | 20.82% |
| No. of POP-SPs | 2,13,271* | 2,15,844* | 1.21% |
| No. of APY-SPs* | 418 | 440 | 5.26% |
| No. of CABs# | 663 | 672 | 1.36% |
| No. of SABs# | 1,705 | 1,809 | 6.09% |
| No. of Corporate | 12,795 | 15,902 | 24.29% |

** These are the number of active APY-SPs registered with the CRAs*

*# As processed by PFRDA and registered with CRAs.*

- All employees of Central Government along with CABs and State Governments along with SABs which have adopted NPS are to be mandatorily covered under NPS. This year 11 new CABs and 119 SABs have been brought under NPS.

- The corporate sector offers NPS to their employees on a mandatory or voluntary basis. At the end of March 2024, as per CRAs reports, a total of 14,101 Corporate is registered under NPS against 12,795 Corporate at the end of March 2023, with an increase of 10.21 percent.

- As on the end of March 2024, 440 banks are registered as APY – Service Providers with the CRA, which include Public Sector Banks, Private Banks, Foreign Banks, Regional Rural Banks, District Commercial Banks, Schedule Commercial Banks, Urban Commercial Banks, Payment Banks, Small Finance Bank and Department of Post.

Government support for these schemes in the form of tax benefits and guarantees for APY has increased the appeal of these schemes. However, considering the vast uncovered population of the country, a lot more needs to be done. The major challenge in extending the NPS to all citizens is increasing awareness and financial literacy among potential subscribers. PFRDA has been taking several steps to increase awareness through different mass media and capacity-building programmes. Further, to ensure dissemination of NPS awareness, PFRDA has aggressively undertaken promotional and developmental activities by engaging a dedicated agency for imparting training and capacity building for officials of Service Providers.

To improve ease of access to NPS for the potential subscribers and service providers, PFRDA has been further enhancing the technology across the value chain, whether it is e-NPS, Mobile apps, or e-KYC. These channels have been driving efficiencies and have helped in reducing time for facilitating subscriber requests. Through e-NPS, a person can both conveniently register and contribute online. An online contribution facility under NPS is also available for existing subscribers. e-NPS facilitates the opening of an Individual Pension Account under NPS and making initial and subsequent contributions to the Tier I as well as Tier II/Tax Saver account online. This feature also enables the subscribers to change their Pension Funds, asset class, allocation ratio, and scheme options after authentication. NPS subscribers can initiate withdrawal/Partial Withdrawal requests from Tier II/Tier I accounts by using their login credentials and OTP authentication on their registered mobile number.

The online PRAN generation module (OPGM) is offered to stakeholders for the onboarding of NPS subscribers to enable instant PRAN generation with minimal documentation. However, such accounts are deemed to be irregular till complete documentation is verified and recorded with the Central Record Keeping Agencies (CRAs). Intermediaries registered with PFRDA are permitted to use the Video-based Customer Identification Process (VCIP) for onboarding, exit, or any other service request related to NPS.

NPS subscribers are provided with various convenient options to deposit their voluntary contributions through the associated Nodal Offices, PoPs, e-NPS, or through NPS Mobile Applications. An additional option/mode of contribution, namely Direct Remittance (D-Remit) has been introduced wherein the existing NPS Subscribers under Government/All Citizens Model can deposit their voluntary contributions by creating a Virtual ID linked to their PRANs and providing the same day NAV on investments. Through D Remit, not only one-time contributions can be made, but also periodic NPS contributions can be automated for any defined amount and any defined date from the Subscribers bank account. The option of contribution to NPS through D Remit has also been extended to NRI-NPS subscribers who can contribute to their NPS accounts from funds in their NRO/NRE accounts. At the time of withdrawal/Exit, the proceeds of NPS shall be credited into the NRO/NRE account of NRI subscribers, and repatriation would be as per applicable FEMA guidelines.

### 1.7. A Brief on the Review of the Objectives of PFRDA during the year

The preamble to the PFRDA Act 2013 lays down the objectives of the Authority as the promotion of old age income security, through regulation and development of pension funds along with protection of the interests of the subscribers to schemes of Pension Funds and for matters connected therewith or incidental thereto.

PFRDA has been actively engaged in the promotion and development of NPS (all its variants) and Atal Pension Yojana, regulation, and supervision of all intermediaries under NPS towards the overall objective of provision of old age income security and protection of subscriber's interest. While engaged in these activities, in keeping with the preamble of the PFRDA Act 2013 and the best global practices, the PFRDA endeavours to achieve the following broad objectives/outcomes:

- Increasing Coverage
- Security
- Efficiency
- Adequacy
- Sustainability

**Increasing Coverage**

The provision of old age income security to all sections of the population has been one of the important objectives of the Authority. While the PFRDA Act 2013 mandates regulation of NPS, several variants of NPS have been introduced to cover different sections of the population like Central Government, State Government, Corporate, All-Citizen and NPS Lite. In addition, Atal Pension Yojana is a GOI scheme administered by PFRDA. The Authority has been engaged in expanding coverage through the creation of mass awareness through print, electronic and social media, engaging a training agency for imparting training and capacity building for officials of banks, post offices, POPs, Nodal Offices, the appointment of retirement advisors, facilitating ease of onboarding and transaction through e-NPS, etc.

**Security**

PFRDA has put in place an extensive framework of regulations under the PFRDA Act, 2013, to ensure the security of pension assets to minimize risk to the accumulated pension corpus so as to provide retirement benefits to subscribers. These regulations include strenuous eligibility criteria for selection, detailed Corporate Governance frameworks, fit and proper criteria, extensive code of conduct, detailed roles and responsibilities, and penalty structures for intermediaries, to ensure the security of assets. These regulations have also been reviewed and strengthened, from time to time. In order to further strengthen the IT supervisory processes, PFRDA is focusing on the implementation of cyber security and will ensure coverage.

**Efficiency**

The Authority has endeavoured to optimize the efficiency of the system by maximizing returns to the subscribers, subject to acceptable risks. This has been done through a review of the investment guidelines, from time to time to optimize the returns.

Efficiency also relates to the efficiency of the labour and capital markets, as each interact with the pension system through direct contributions to pensions (through longer working lives and contributions, lower costs of capital, or greater financial inclusion) as well as through indirect contributions to jobs and investment. PFRDA has been actively engaged in financial inclusion through awareness creation.

For capital markets, efficiency relates to capital market depth through the development of non-bank financial capital to fund productive investment and maximize the benefits of wider capital market reforms. PFRDA has been part of inter-regulatory groups and committees, both at a domestic and international level in furtherance of these objectives.

**Adequacy**

One of the important objectives of any pension system is to have adequate facilities in place to enable its subscribers to plan for their retirement, i.e., facilitating the accumulation of retirement benefit entitlements for old age income security. While NPS is a defined contribution scheme, without guarantee of any benefits, however, as a measure of good practice, Authority has endeavoured to work towards ensuring adequate retirement planning infrastructure through various measures, including review of investment guidelines for optimizing returns, increasing contributions through engaging with the Government for tax concessions, etc.

**Sustainability**

Sustainability is one of the focal points of any contributory pension system. Through NPS, there is an effort to offer pension products to different sections of Indian society, which is sustainable in the long run to achieve the ultimate goal of providing a secured old age income. NPS is a defined contribution scheme with an institutional framework and product design, and it empowers itself to sustain itself in the long run. The continued savings habit and investment discipline have an important role to play in achieving the endeavour of a sustainable pension system. PFRDA has initiated several steps to increase the awareness level of retirement savings/ pension and to further these objectives.

## 1.8. Intermediaries under NPS

The National Pension System (NPS) works under an unbundled architecture, with each function assigned to specialized entities in their field.

### 1.8.1 Intermediaries and Other Entities Associated with National Pension System and Other Pension Schemes Covered under the Act

The NPS architecture consists of Points of Presence (POP), Government Department Nodal Offices, Central Record-keeping Agency (CRA), Trustee Bank, Pension Funds (PFs), NPS Trust, Custodians, Annuity Service Providers, and Retirement Advisers.

#### 1.8.1.1 Points of Presence (PoPs)

Points of Presence are banks and non-banking financial companies etc., registered with PFRDA for registration and servicing of the subscribers to the NPS. A PoP is the first point of interaction between the subscriber and the NPS. The registered PoPs have authorized branches called POP-Service providers (PoP-SPs) to act as collection points and extend services to customers. The functions of the PoPs include subscriber registration, processing subscriber contributions, change in personal details, change in investment scheme/fund manager, processing subscriber shifting from one model to the other, issuing printed account statements, and processing of withdrawal/ exit request on superannuation, etc.

#### 1.8.1.2 Government Nodal Offices

(i) Central Government Nodal Offices

- PrAO, PAO, and DDO

The Principal Accounts Office (PrAO), Pay and Accounts Office (PAO), and Drawing & Disbursing Office (DDO) under the Central Government or analogous offices under Central Government and Central Autonomous Bodies which interact with CRA on behalf of the Subscribers for NPS.

(ii) State Government Nodal Offices

- DTA, DTO, and DDO

The Directorate of Treasury and Accounts (DTA), District Treasury Office (DTO), and Drawing & Disbursing Office (DDO) under the State Governments or analogous offices under State Governments and State Autonomous Bodies which interact with CRA on behalf of the Subscribers for NPS.

Nodal Offices are the identified offices of Government agencies registered under the CRA system for various operational works under NPS. These offices are identified by a unique number, i.e., Pr.AO /PAO/ DDO registration number that is allotted to them by the CRA on successful registration. These offices have a major role to play few of them are as below:

- Submission of Forms for subscriber registration
- Distribution of PRAN kits to subscribers
- Timely Uploading of the subscriber's contribution
- Providing timely and accurate information about the contributions of the subscribers
- Forwarding requests of the subscribers for necessary action
- Resolving grievances of the subscribers
- Forwarding approved withdrawal requests of the subscribers

### 1.8.1.3 Central Record-keeping Agency (CRA)

Protean eGov Technologies Ltd., K-fin Technologies Ltd. and, Computer Age Management Services Ltd. (CAMS) have been designated the CRAs for the NPS. Their main functions include:

- Maintaining subscriber records, administration, and customer service functions.
- Issuing a Permanent Retirement Account Number (PRAN) for each subscriber, maintaining the database of all PRANs, and recording transactions relating to each PRAN.
- Acting as the interface between the various intermediaries of the NPS system.
- This includes monitoring contributions by each member and instructions and communication of the same to the pension funds. Periodically, they also send a PRAN statement to each member.
- Providing a centralized grievance management system.
- Providing timely fund transfer-related information to the fund managers.
- Coordination with the Trustee Bank for remitting withdrawal funds to the subscribers' account and to the annuity service provider for the annuity scheme.

### 1.8.1.4 Trustee Bank

The Trustee Bank handles the flow of funds between various intermediaries under NPS. Presently, Axis Bank Ltd is the designated bank to facilitate fund transfers across subscribers, pension funds, and annuity service providers based on the instructions received from the CRA. The Trustee Bank receives funds from the Nodal Offices /PoPs/Aggregators and reconciles them with the Subscriber Contribution File. The Trustee Bank holds the funds in the name of the NPS Trust, and the subscribers are the beneficial owners.

### 1.8.1.5 Pension Funds (PFs)

These are professional pension fund managers appointed to invest, judiciously and prudently, the pension corpus in a portfolio of securities and manage them. Currently, the pension fund managers under NPS are –ICICI Prudential Pension Funds Management Company Ltd., LIC Pension Fund Ltd, Kotak Mahindra Pension Fund Ltd., SBI Pension Fund Private Ltd., UTI Retirement Solutions Ltd, HDFC Pension Management Co Ltd., Aditya Birla Sun Life Pension Management Limited, Tata Pension Management Limited, Max Life Pension Fund Management Limited, Axis Pension Fund Management Limited and DSP Pension Fund Managers Private Limited. Their functions include:

- Ensuring investment as per investment guidelines
- Investing the contributions in the schemes as per the instructions provided by CRA.
- Constructing the scheme portfolio.
- Maintenance of books and records, reporting to the Authority, and making disclosures.

### 1.8.1.6 Custodian of Securities

The securities purchased from the NPS corpus in the name of the NPS trust are held by the Custodian of Securities, who also facilitates securities transactions by making and accepting the delivery of securities. PFRDA has appointed Deutsche Bank as the Custodian of its securities for a term of 5 years with effect from April 01, 2022. The functions include:

- Having Custody of the Securities held in the name of NPS Trust, purchased from NPS Corpus.
- Maintaining details of securities held.

- ·Collecting the benefits like dividends, rights, bonuses, etc., on securities.
- Informing NPS Trust (which in turn reports it to PFRDA) about the actions of the issuers of securities held that may impact the benefits.

### 1.8.1.7 NPS Trust

NPS Trust is a trust set up under the Indian Trusts Act 1882, which holds the assets of the NPS for the benefit of subscribers. The Trust has the fiduciary responsibility of taking care of the funds and protecting the subscriber's interests. The NPS Trust monitors and supervises the functioning of the Pension Funds and interacts with other intermediaries like the Central Recordkeeping Agency (CRA), Trustee Bank, Custodians, and other entities.

### 1.8.1.8 Annuity Service Providers

Annuity Service Providers (ASPs) are insurance companies regulated by IRDAI and empanelled by the PFRDA to provide the annuity to the NPS subscribers from the bouquet of annuities offered by them. There are 15 ASPs empanelled by PFRDA as on March 31, 2024.

### 1.8.1.9 Retirement Advisers

Retirement Adviser means any person being an individual, registered partnership firm, body corporate, or any registered trust or society which desires to engage in the activity of providing advice on the National Pension System or other pension scheme regulated by PFRDA to prospects/subscribers or other persons or group of persons and is registered as such under PFRDA (Retirement Adviser) Regulations, 2016. The list of Individual and Other than Individual Retirement Advisers is available on PFRDAs' website.

### 1.8.2. Types of Account

Under NPS following two types of accounts are available:

Tier-I account: Under the Tier-I account, the subscriber contributes his savings for retirement/ pension into this partially withdrawable account. Partial withdrawals are allowed subject to certain conditions.

Tier-II account: This is a voluntary investment account where the subscriber is free to deposit and withdraw the savings from this account whenever he/she wishes.

Under Tier II, there is a Tier II Tax Saving Scheme (TTS) account which is another variant of an account specially designed for government employees to make them avail additional tax benefits. It has a three-year lock-in period.

Besides NPS, PFRDA also administers and regulates the Atal Pension Yojana.

### 1.8.3 Outreach

To fulfil PFRDA's mandate of creating awareness about the need for saving for retirement and retirement planning, PFRDA undertakes various activities, including imparting training through training agencies selected by PFRDA. Further, these training workshops/seminars have been organized for subscribers across the sector and geography as a part of a wider financial consumer protection policy. NPS/APY training was imparted only through online mode, i.e., Video conferencing, and the appointed training agency conducted a total of 111 online training sessions for 13,224 participants during the FY 2023-24.

# PART II

## Investment of Funds under NPS

*This chapter deals with the investments of funds under NPS and other pension schemes covered under the Act, and the extent of exposure in the National Pension System, in different categories of investments including Government securities, debt securities and equities in accordance with Appendix II of the Pension Fund Regulatory and Development Authority (Reports, Returns and Statements) Rules, 2015.*

### 2.1 Pension Funds

Pension Fund means an intermediary which has been granted a certificate of registration under sub - section (3) of Section 27of Pension Fund Regulatory & Development Authority Act, 2013 by the Authority as a pension fund for receiving contributions, accumulating them and making payments to the subscriber in the manner as may be specified by regulations.

The National Pension System provides subscribers with the option to invest their pension contributions with one or many Pension Fund Managers, across various asset classes and in varying proportions as per the individual's choice. As of March 31, 2024, there are 11 Pension Funds registered with PFRDA managing a total of 14 types of schemes as permitted under the NPS Architecture. The default government sector schemes such as Scheme CG, Scheme SG and Scheme APY are managed by 3 pension fund managers only viz. SBI PFPL, LIC PFL and UTI RSL. The Private sector schemes such as E, C, G tier I and tier II, A tier I and NPS-TTS-II are managed by all the Pension Funds.

Pension Fund Regulatory and Development Authority (Pension Fund) Regulations, 2015 were notified on 14th May, 2015 and the Pension Funds had to abide by these regulations including any amendments thereunder.

#### 2.1.1 Functions of the Pension Funds

The functions of the Pension Funds include, but are not limited to the points mentioned below:

a) The management of pension schemes shall be carried in accordance with the objective of the schemes, provisions of the Act, rules, regulations, guidelines, circulars, directions and instructions issued by the Authority and the provisions of the National Pension System trust deed, within the timelines determined by the Authority and the National Pension System Trust.

b) The day-to-day management of the pension schemes shall be done by the pension fund on behalf of the National Pension System Trust.

c) The pension fund shall, at all times render high standards of fund management services, exercise reasonable care, prudence, professional skill, promptness, diligence and vigilance while discharging its duties in the best interests of the subscribers. The pension fund shall avoid speculative investments or transactions.

d) The pension fund shall employ qualified, trained professionals and employees with integrity. The pension fund shall be responsible for the acts of commissions or omissions by its employees, agents or authorised persons whose services have been procured and be independently accountable and liable for their acts. The liability shall survive despite the suspension or cancellation of certificate of registration of the pension fund or such action that may be taken by the Authority, for protection of the interest of the subscribers.

e) The pension fund shall co-ordinate its activities with other intermediaries and permitted entities and inter alia enter into agreements, have technological platforms for undertaking its functional obligations

f) The pension fund shall maintain books of accounts, records, registers and documents relating to investment decisions and the operations of the pension schemes to ensure compliance with the regulations, guidelines, circulars and other instructions issued by the Authority and facilitate audit trail of transactions and ensure business continuity at all times.

g) The pension fund shall submit periodical compliance reports as required under these regulations, guidelines and circulars, or as may be called for by the Authority, or the National Pension System Trust.

h) The pension fund shall undertake public disclosure of information for the benefit of subscribers in the mode and manner specified in Schedule V or as may be determined by the Authority.

i) The pension fund shall adopt best governance practices for investments and risk management viz. constitution of Investment Committee and Risk Management Committee, whose composition, functions and duties shall be such as specified in Schedule X and also constitute an Audit Committee, and Nomination and Remuneration Committee.

j) The pension fund shall prevent conflict of interest that may arise while discharging its obligations as a pension fund and report such instances to the National Pension System Trust.

k) The pension fund shall ensure exclusivity and segregation of pension fund activities from activities of its sponsors.

l) The pension fund shall ensure confidentiality with respect to subscriber's information and activities relating to the pension fund and protection of all information within its control and share such information with the Authority or National Pension System Trust or any other intermediary or as may be required under the provisions of any other law.

m) The pension fund shall provide such representations and warranties and act in accordance with the same, as may be necessary for the protection of subscriber's interest.

n) The pension fund shall pay fees, charges, levies and security deposit as may be determined by the Authority.

o) The pension fund shall be subject to review of its operations and performance by the National Pension System Trust.

p) The pension fund shall be subject to audit of pension schemes by the National Pension System Trust.

q) The pension fund shall be subject to such other audit and inspection by the Authority as deemed fit.

r) The pension fund which is registered as a point of presence (PoP), shall maintain separate infrastructure, manpower, accounts including details of revenue and expenditure in order to maintain arm's length distance from its fund management activities.

s) The pension fund shall comply with the disclosure requirements as applicable to a public company under the Companies Act, 2013 for adopting best governance practices and the compliance officer shall ensure such compliance.

t) Upon notification by the Authority of the scheme under section (20)(2)(d) (b) of the Act, Pension Fund shall offer such schemes within the timeline specified by the Authority.

u) The Pension Fund shall:

(i) take all measures necessary for prevention of fraud, develop and follow a fraud prevention and mitigation policy in accordance with guidelines issued by Authority;

(ii) lay down internal controls to be followed and ensure that such controls are adequate and operating effectively; and

(iii) make provision for indemnifying the subscriber for any loss on account of fraud or negligence on the part of the pension fund, which has been established.

### 2.1.2 List of Pension Funds (PFs) managing composite schemes for Government Sector NPS Schemes (i.e., Central Government (CG)and State Governments (SG) including autonomous bodies) and Atal Pension Yojana (APY).

i. SBI Pension Funds Private Ltd

ii. LIC Pension Fund Ltd

iii. UTI Retirement Solutions Ltd

### 2.1.3 List of Pension Funds (PFs) for Private Sector NPS schemes

i. SBI Pension Funds Private Ltd

ii. LIC Pension Fund Ltd

iii. UTI Retirement Solutions Ltd

iv. HDFC Pension Management Company Ltd

v. ICICI Prudential Pension Funds Management Company Ltd

vi. Kotak Mahindra Pension Fund Ltd

vii. Aditya Birla Sun Life Pension Management Ltd

viii. Axis Pension Fund Management Ltd

ix. Tata Pension Management Private Ltd

x. Max Life Pension Fund Management Ltd

xi. DSP Pension Fund Managers Private Ltd

DSP Pension Fund Managers Private Ltd has been given certificate of registration to manage Private Sector NPS Schemes during FY2023-24 and have commenced its operations on 26th December 2023.

Investment Management Fee has been revised w.e.f. 1st April, 2021 as per following slab structure of AUM managed by the PFs:

**Table 2.1 – Investment Management Fee**

| Slab | % Per annum |
|---|---|
| Upto Rs. 10,000 Crore | 0.09 |
| >Rs. 10,000 Cr – Rs. 50,000 Crore | 0.06 |
| >Rs. 50,000 Cr – Rs. 1,50,000 Crore | 0.05 |
| Rs. 1,50,000 Crore and above | 0.03 |

**UTI RSL to charge 0.07% under this slab.*

## 2.2 Schemes

The subscribers in NPS fall under the following sectors:

i. Government Sector (Central Govt/State Govt including Autonomous Bodies)

ii. All Citizen Sector/Unorganised Sector

iii. Corporate Sector

iv. NPS Lite/Swavalamban

v. Atal Pension Yojana

Investments under NPS for the above schemes are made as prescribed under the investment guidelines issued by the Authority and equity exposure has been specified since inception for all the schemes /segments. The investment options under NPS vary from sector to sector.

### 2.2.1 Government Sector (Central Govt / State Govt including Central Autonomous Bodies and State Autonomous Bodies)

As per the PFRDA's investment guidelines, following exposure limits have been decided for the Government sector including CABs/SABs under NPS:

**Table 2.2 - Allocation of Assets in Government Sector**

| Particulars | Exposure Limits (In Percent) |
|---|---|
| Government Securities & related investments | Upto 65 |
| Debt Instruments & related investments | Upto 45 |
| Short term debt instruments & related investments | Upto 10 |
| Equity & related investments | Upto 15 |
| Asset backed, trust structured & Miscellaneous investments | Upto 5 |

Under the Government Sector, 03 public sector Pension Funds i.e., LIC Pension Fund Limited / SBI Pension Funds Private Limited / UTI Retirement Solutions Limited manage and invest the contributions in the ratio (among the 3 pension funds) as decided by the Authority from time to time.

Further, based on the Government's OM no. 1/3/2016-PR dated 31st January, 2019 and as per the Authority's circular dated 8th May, 2019; Government employees have been given the following options:

**Choice of Pension Fund:**

As in the case of subscribers in the private sector, the Government subscribers shall also be allowed to choose any one of the pension funds including private sector pension funds. They could change their option once in a year. However, the current provision of combination of the public sector pension funds will be available as the default option for both existing as well as new Government subscribers.

**Choice of Investment Pattern:**

The following option for investment choices shall be offered to Govt Employees:

i. Existing scheme in which funds are allocated by the PFRDA among three Public Sector fund managers based on their past performance in accordance with the guidelines of PFRDA for Government employees shall continue as default scheme for both existing and new subscribers.

ii. Government employees who prefer a fixed return with minimum amount of risk shall be given an option to invest 100% of the funds in Government securities (Scheme G)

iii. Government employees who prefer higher returns shall be given the options of the following two life-cycle based schemes:

a. Conservative life cycle fund with maximum exposure to equity capped at 25% - LC-25.

b. Moderate life cycle fund with maximum exposure to equity capped at 50% - LC-50

The Central Government subscribers under NPS may exercise one of the above choices of investment pattern twice in a financial year. For more details - PFRDA circular no. PFRDA/2019/12/REG-PF/1 dated 08th May, 2019 may be referred.

Some of the State Governments have also extended above choice of investment.

### 2.2.2 NPS-Lite

It is informed that fresh enrolments under NPS-Lite had been discontinued w.e.f 01.04.2015. However, for the existing NPS-Lite subscribers, as per the PFRDA's investment guidelines, following exposure limits have been decided for the NPS -Lite sector.

**Table 2.3 - Allocation of Assets in NPS Lite Sector**

| Particulars | Exposure Limits (In Percent) |
|---|---|
| Government Securities & related investments | Upto 65 |
| Debt Instruments & related investments | Upto 45 |
| Short term debt instruments & related investments | Upto 10 |
| Equity & related investments | Upto 15 |
| Asset backed, trust structured & Miscellaneous investments | Upto 5 |

Under NPS-Lite, only 03 public sector Pension Funds i.e., LIC Pension Fund Limited / SBI Pension Funds Private Limited / UTI Retirement Solutions Limited manage and invest the contributions in the ratio (among the 3 pension funds) as decided by the Authority from time to time. Further, a single private sector Pension Fund i.e., Kotak Mahindra Pension Fund Limited has been chosen as one of the aggregators for managing the contributions. Under NPS- Lite scheme, no selection of Pension Fund or the asset allocation is offered to the subscribers.

### 2.2.3 Atal Pension Yojana (APY)

Atal Pension Yojana (APY), a Government pension scheme for citizens of India, is focused on the unorganised sector workers. Under the APY, guaranteed minimum pension of Rs. 1,000/- or 2,000/- or 3,000/-or 4,000/- or 5,000/- per month will be given at the age of 60 years depending on the contributions by the subscribers.

Under Atal Pension Yojana (APY), no selection of Pension Fund or the asset allocation is offered to the subscribers because it is a guaranteed government scheme and the asset allocation is kept same as for the Government sector employees under NPS as per the following:

**Table 2.4 - Allocation of Assets in Atal Pension Yojana Sector**

| Particulars | Exposure Limits (In Percent) |
|---|---|
| Government Securities & related investments | Upto 65 |
| Debt Instruments & related investments | Upto 45 |
| Short term debt instruments & related investments | Upto 10 |
| Equity & related investments | Upto 15 |
| Asset backed, trust structured & Miscellaneous investments | Upto 5 |

Under Atal Pension Yojana, 3 public sector Pension Funds i.e., LIC Pension Fund Limited / SBI Pension Funds Private Limited / UTI Retirement Solutions Limited manage and invest the contributions in the ratio (among the 3 pension funds) as decided by the Authority from time to time.

### 2.2.4 All Citizen Sector

The subscribers under All Citizen Sector may opt for any of the investment pattern i.e., "Active Choice" or "Auto Choice".

As per the PFRDA's investment guidelines, following exposure limits have been decided for the All Citizen /Un-Organized Sector under NPS:

**Table 2.5 - Allocation of Assets in All Citizen/UOS Sector**

| Particulars | Exposure Limits (In Percent) |
|---|---|
| Equity & related investments | Upto 75 |
| Debt Instruments & related investments | Upto 100 |
| Government Securities & related investments | Upto 100 |
| Alternate Assets | Upto 5 |
| Short term investments (money market, short duration mutual funds, & term deposits) | Upto 10 |

**Option of change of Pension Fund and investment choice :**

Further, Pension Fund can be changed once in a financial year and Investment Option can be changed four times in a financial year by the subscriber.

### 2.2.5 Corporate Sector

For subscribers belonging to corporate sector – where the employer has adopted NPS for its employees, the investment options and choices have been kept flexible.

There are two types of schemes under this segment:

**Corporate CG scheme:** This scheme has been discontinued and it is not available under corporate segment but those corporates which were already covered under this scheme and have not changed this scheme are still continuing under the scheme.

As per the PFRDA's investment guidelines, following exposure limits have been decided for the Corporate CG sector under NPS:

**Table 2.6 - Allocation of Assets in Corporate CG Sector.**

| Particulars | Exposure Limits (In Percent) |
|---|---|
| Government Securities & related investments | Upto 65 |
| Debt Instruments & related investments | Upto 45 |
| Short term debt instruments & related investments | Upto 10 |
| Equity & related investments | Upto 15 |
| Asset backed, trust structured & Miscellaneous investments | Upto 5 |

Under this Corporate CG scheme, investments are with 2 Pension Funds i.e., LIC Pension Fund Limited or SBI Pension Funds Private Limited.

**Other scheme:** (At present available under corporate segment):

Under this scheme, the employer may delegate the responsibility of selecting a Pension Fund and/or mode of investment to employees or the employer may select a Pension Fund and/or the Life Cycle Fund on behalf of its employees. These aspects related to NPS may form part of the employer-employee arrangement. As per the investment option exercised, the employer or the subscriber has to select any of the one registered Pension Fund and further selection of asset allocation among the four asset classes as per the following:

- **Asset Class E** – Equity and related instruments
- **Asset Class C** – Corporate debt and related instruments
- **Asset Class G** – Government Bonds and related instruments
- **Asset Class A** – Alternative Investment Funds including instruments like CMBS, MBS, ReITs, AIFs, InvITs etc.

The subscribers under this sector may opt for any of the investment pattern i.e., **"Active Choice" or "Auto Choice".**

As per the PFRDA's investment guidelines, following exposure limits have been decided for the corporate Sector under NPS:

**Table 2.7 Allocation of assets in Corporate Sector**

| Particulars | Exposure Limits (In Percent) |
|---|---|
| Equity & related investments | Upto 75 |
| Debt Instruments & related investments | Upto 100 |
| Government Securities & related investments | Upto 100 |
| Alternate Assets | Upto 5 |
| Short term investments (money market, short duration mutual funds, & term deposits) | Upto 10 |

Option of change of Pension Fund and investment choice

Further, Pension Fund can be changed once in a financial year and Investment Option can be changed four times in a financial year by the subscriber.

### 2.2.6 Tier II Tax Saver Scheme (TTS)

The scheme is only available for NPS subscribers belonging to the Central Government. There is a lock-in period of 3 years from the date of unitization of contributions by Central Recordkeeping Agencies to enjoy the tax benefits u/s 80C of Income Tax Act. No withdrawals will be allowed during the lock-in period, however, in case of death of subscriber, the corpus can be withdrawn by the nominee/legal heir. In case of closure of Tier-I account due to exit from NPS, contributions to NPS-TTS will not be allowed until the completion of the lock-in period.

The following investment limits have been prescribed to the Pension Funds with respect to TTS:

**Table 2.8 – Asset Class Limits in TTS**

| Asset Classes | Limits (In percent) |
|---|---|
| Equity | 10 - 25 |
| Debt | Upto 90 |
| Cash/Money Market/Liquid mutual funds | Upto 20 |

**Option of change of Pension Fund and investment choice**

The subscribers do not have any choice of investment options under this scheme. However, the TTS subscribers are allowed to have maximum of 3 pension funds separately. However, the PF change will be allowed only after completion of lock-in period.

### 2.2.7 Details on Pension Funds

The details of the schemes wise asset under management in given in the table below:

**Table 2.9 - Details of Asset under Management** (Amt in Rs. Crores)

| Scheme | March 31, 2023 | March 31, 2024 | Absolute Growth | Growth (In percent) |
|---|---|---|---|---|
| Central Government | 2,50,631.18 | 3,03,144.54 | | |
| State Government | 4,47,114.39 | 5,73,527.20 | | |
| **Subtotal** | **6,97,745.57** | **8,76,671.74** | **1,78,926.17** | **25.64** |
| NPS Lite | 4,914.52 | 5,559.69 | | |
| APY | 26,700.12 | 35,647.67 | | |
| APY Fund Scheme | 522.71 | 884.17 | | |
| Corporate CG | 58,766.72 | 77,174.94 | | |
| E -Tier I | 43,261.38 | 76,999.16 | | |
| C- Tier I | 22,329.81 | 34,012.00 | | |
| G –Tier I | 40,375.85 | 60,750.97 | | |
| A-Tier I | 271.69 | 411.39 | | |
| E –Tier II | 1,681.16 | 2,573.34 | | |
| C –Tier II | 864.87 | 1,035.34 | | |
| G –Tier II | 1,419.11 | 1,797.97 | | |
| TTS | 12.53 | 17.51 | | |
| **Sub Total** | **2,01,120.47** | **2,96,864.15** | **95,743.68** | **47.61** |
| **Grand Total** | **8,98,866.04** | **11,73,535.89** | **2,74,669.85** | **30.56** |

The above table indicate that the asset under management for government sector NPS schemes (CG and SG) has grown by around 25.64%, and the asset under management of the schemes other than these two schemes has grown by around 47.61%. In terms of absolute growth, the government sector schemes increased by Rs. 1,78,926.17 crore whereas other than government sector schemes in aggregate increased by Rs. 95,743.68 crore.

As explained above, the different schemes are managed by different Pension Fund managers, the details of asset under management of various schemes under the respective Pension Funds are given below: -

**Table 2.10 - Pension Fund wise and scheme-wise (CG, SG, NPS lite, APY, APY Fund Scheme & Corporate CG) Asset under Management as on 31st March 2024**

*Amount in Rs. Crores*

| Name of Pension Fund/ Schemes | CG | SG | NPS Lite | APY | APY Fund Scheme | Corporate CG | Grand Total |
|---|---|---|---|---|---|---|---|
| SBI Pension Funds Private Limited | 1,05,350.61 | 1,96,243.24 | 2,251.64 | 12,101.61 | 297.92 | 73,294.01 | 3,89,539.03 |
| LIC Pension Fund Limited | 99,208.34 | 1,91,513.25 | 1,627.00 | 12,027.43 | 311.31 | 3,880.93 | 3,08,568.26 |
| UTI Retirement Solutions Limited | 98,585.59 | 1,85,770.71 | 1,594.20 | 11,518.63 | 274.94 | | 2,97,744.07 |
| Kotak Mahindra Pension Fund Limited | | | 86.84 | | | | 86.84 |
| **Total** | **3,03,144.54** | **5,73,527.20** | **5,559.69** | **35,647.67** | **884.17** | **77,174.94** | **9,95,938.21** |

**Table 2.11 - Pension Fund wise vis-a-vis scheme-wise (E-I, C-I, G-I, A-I, E-II, C-II & G-II, TTS-II) Asset under Management as on 31st March 2024**

*Amount in Rs. Crores*

| Name of Pension Funds/ Schemes | Scheme -E-I | Scheme -C-I | Scheme -G-I | Scheme -E-II | Scheme -C-II | Scheme -G-II | Scheme -A-I | NPS-TTS-II | Grand Total |
|---|---|---|---|---|---|---|---|---|---|
| SBI Pension Funds Private Limited | 16,896.40 | 8,342.29 | 17,277.52 | 523.72 | 240.64 | 482.77 | 77.38 | 4.87 | **43,845.57** |
| LIC Pension Fund Limited | 5,164.50 | 2,762.10 | 5,203.72 | 151.30 | 78.35 | 213.29 | 18.39 | 2.00 | **13,593.66** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| UTI Retirement Solutions Limited | 2,152.97 | 906.44 | 1,674.59 | 89.14 | 33.83 | 64.37 | 9.93 | 1.21 | 4,932.48 |
| HDFC Pension Management Company Limited | 36,194.65 | 14,330.02 | 23,927.76 | 1,182.69 | 434.02 | 645.01 | 235.29 | 5.33 | 76,954.78 |
| ICICI Prudential Pension Funds Management Company Limited | 12,384.21 | 5,708.43 | 9,365.27 | 440.04 | 187.04 | 281.90 | 50.50 | 1.74 | 28,419.13 |
| Kotak Mahindra Pension Fund Limited | 2,094.28 | 833.90 | 1,445.36 | 120.19 | 41.12 | 71.15 | 12.39 | 0.74 | 4,619.15 |
| Aditya Birla Sun Life Pension Management Limited | 605.80 | 295.24 | 530.09 | 33.42 | 13.04 | 26.55 | 3.72 | 0.86 | 1,508.72 |
| Tata Pension Management Limited | 373.49 | 164.38 | 256.89 | 23.98 | 4.65 | 8.64 | 2.15 | 0.53 | 834.71 |
| Max Life Pension Fund Management Limited | 187.40 | 116.11 | 270.27 | 1.30 | 0.26 | 0.77 | 0.20 | 0.06 | 576.37 |
| Axis Pension Fund Management limited | 897.02 | 527.16 | 759.57 | 6.75 | 2.15 | 3.31 | 1.31 | 0.17 | 2,197.45 |
| DSP Pension Fund Managers Private Ltd. | 48.43 | 25.92 | 39.93 | 0.81 | 0.22 | 0.21 | 0.13 | 0.00 | 115.66 |
| **Total** | **76,999.16** | **34,012.00** | **60,750.97** | **2,573.34** | **1,035.34** | **1,797.97** | **411.39** | **17.51** | **1,77,597.68** |

The asset class wise bifurcation of the assets under management as on March 31, 2024 vis-a-vis March 31, 2023 is given below: -

**Table 2.12 - Asset Class wise bifurcation of Asset Under Management**

| | 31-Mar-23 | | 31-Mar-24 | |
|---|---|---|---|---|
| **Asset Class** | **Amount (Rs. Cr)** | **% of Investment** | **Amount (Rs. Cr)** | **% of Investment** |
| G-Sec | 4,64,297.98 | 51.65% | 6,36,189.12 | 54.21% |
| Corporate Bond | 2,45,896.66 | 27.36% | 2,78,690.02 | 23.75% |
| Equity | 1,48,844.45 | 16.56% | 2,21,856.39 | 18.90% |
| REITs/Invits | 1,079.92 | 0.12% | 1,194.76 | 0.10% |
| Money Market | 23,362.95 | 2.60% | 12,464.77 | 1.06% |
| Cash & Net Current Assets | 15,384.08 | 1.71% | 23,140.83 | 1.97% |
| **Total** | **8,98,866.04** | **100.00%** | **11,73,535.89** | **100.00%** |

**Chart No 2.1 – Asset Class Wise Bifurcation of AUM as on March 31, 2024**

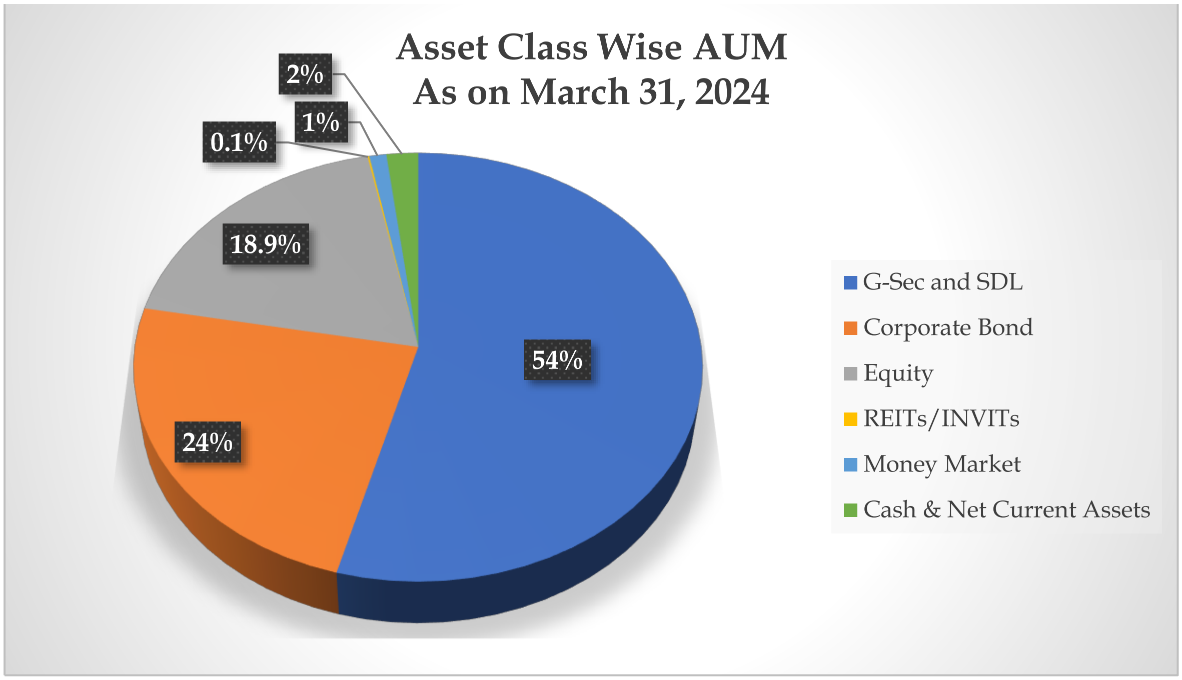
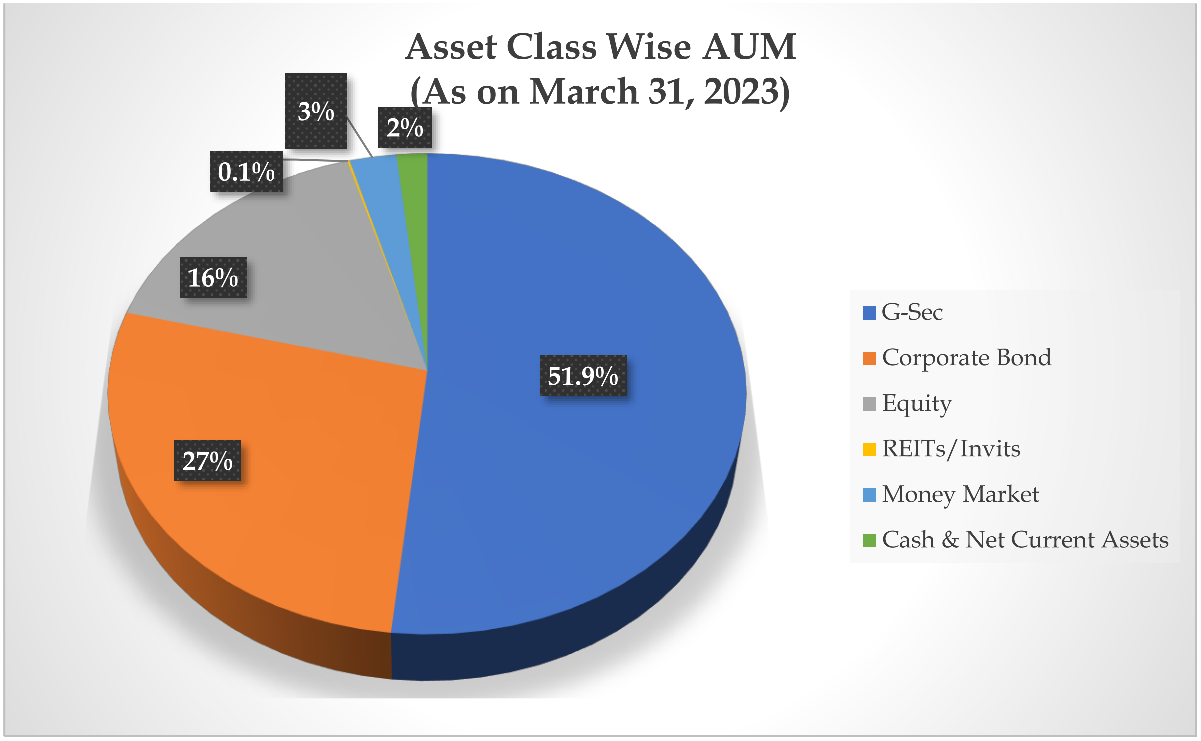


**Chart No. 2.2 – Asset Class Wise Bifurcation of AUM as on March 31, 2023**




### 2.3 Notification, issuance of major circulars/Guidelines for Pension Funds

- Circular on Option for subscribers under NPS All Citizen Model (Tier-I), NPS Corporate Model (Tier-I) and NPS Tier-II (all subscribers) of selection of multiple Pension Funds in accordance with the asset classes (except Alternate Asset Class or Scheme A)
- Addendum to the Valuation Guidelines for securities held under NPS
- Master Circular on Investment Guidelines for NPS Tier-I and Tier-II {Other than Central/State Government, Corporate CG, NPS Lite and APY}
- Master Circular on Investment Guidelines for NPS/APY Schemes: Central Government, State Government, Corporate CG, NPS Lite, Atal Pension Yojana and APY Fund Scheme
- Circular on Permission for keeping of securities as margin with the CCIL for margin requirements

### 2.4 Inspection

During the FY 2023-24, inspection of 08 Pension Funds was conducted as under:

i. SBI Pension Funds Private Limited
ii. LIC Pension Fund Limited
iii. UTI Retirement Solutions Limited
iv. HDFC Pension Management Company Limited
v. ICICI Prudential Pension Funds Management Company Limited
vi. Tata Pension Management Private Limited
vii. Max Life Pension Fund Management Limited
viii. Axis Pension Fund Management Limited

# PART III

## Functions of the Authority

*The chapter deals with duty, power, and functions of the Authority for promotion and orderly growth of the National Pension System and pension schemes in accordance with Section 14 of Pension Fund Regulatory and Development Authority Act, 2013 to protect the interests of subscribers of such system and schemes.*

### 3.1 Registration of intermediaries and suspension, cancellation, etc., of such registration; and regulation of activities of the intermediaries associated with the National Pension System or the pension schemes

Section 14 of the PFRDA Act, 2013 lays down the duties, powers, and functions of the Authority to regulate, promote and ensure orderly growth of the National Pension System and pension schemes, and to protect the interests of subscribers of such system and schemes.

The National Pension System and any other Pension Scheme are operationalized by PFRDA through large number of entities such as:

- Pay & Accounts offices / Treasury Offices at the Central and State Government, which are responsible for the registration and upload of the periodic NPS subscription of the Government employees on the NPSCAN.
- Points of Presence (PoPs) which are Banks, Non-Banking Financial Companies (NBFC), Micro Finance Institutions (MFI) etc. which assist in the registration and upload of NPS subscription for the corporate, private sector and unorganized sector subscribers, the erstwhile Aggregators (now POPs) which help in the last-mile reach to the existing NPS Lite subscribers particularly in the informal sector.
- Central Recordkeeping Agency (CRA), which is responsible for the recordkeeping of individual pension accounts called PRANs of the subscribers and acts as a coordinator for the NPS architecture.
- Trustee Bank, responsible for the day-to-day flow of funds and banking facilities.
- Pension Funds (PFs), mandated to invest and manage the pension assets of the subscribers covered under NPS as per the investment guidelines prescribed by PFRDA.
- Annuity Service Providers (ASPs), empaneled with PFRDA to provide a monthly annuity pension to the subscriber.

**Government Sector - Central and State Autonomous Bodies**

Registration of Autonomous Bodies: Continuous efforts have been made to register Central Autonomous Bodies & State Autonomous Bodies by interacting with them i.e., with respective Financial Advisors of Central Ministries and Nodal Officers of the State Governments. Department also assisted State Governments in streamlining guidelines and notifications for registration of SABs.

PFRDA processes Letter of Consent ("LoCs") of CABs & SABs after ensuring the compliance of stipulated guidelines issued by CG and SGs & also handles queries of NPS during pre-registration process. Details of LoCs issued during FY 2023-24 are as below:

(i) CABs – 11

(ii) SABs – 119

As on March 31, 2024, the number of PrAOs/DTAs, PAOs/DTOs and DDOs are as under: -

**Table No. 3.1: Number of PrAOs/ DTAs, No. of PAOs/DTOs and No. of DDOs**

| Sector | No. of PrAOs/ DTAs | No. of PAOs/DTOs | No. of DDOs |
|---|---|---|---|
| Central Government | 144 | 3,076 | 16,852 |
| Central Autonomous Body | 672 | 2,061 | 4,278 |
| **Total** | 815 | 5,137 | 21,130 |

**Table No. 3.2: Number of DTA/DTOs/DDOs**

| Sector | No. of DTA | No. of DTOs | No. of DDOs |
|---|---|---|---|
| State Government | 72 | 1,983 | 2,35,601 |
| State Autonomous Body | 733 | 6,040 | 16,545 |
| **Total** | 805 | 8,023 | 2,52,146 |

**Table No. 3.3: Registration of CABs and SABs and Enrolment of subscribers until March 31, 2024**

| Status As on March 31, 2023 | Total Registered CABs | Total Registered SABs | Total enrolled subscribers of CABs | Total enrolled subscribers of SABs |
|---|---|---|---|---|
| | 672 | 1,809 | 2,85,470 | 10,23,255 |

**Table No. 3.4: Newly registered CABs & SABs Financial Year Wise**

| FY wise performance | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 |
|---|---|---|---|---|---|---|---|---|
| Newly registered CABs | 18 | 25 | 25 | 24 | 27 | 22 | 12 | 11 |
| Newly registered SABs | 179 | 272 | 107 | 133 | 141 | 120 | 158 | 119 |

*Source: Supervision (CAB/SAB) & P&D (CAB/SAB)*

1,809 State Autonomous Bodies and 672 Central Autonomous Bodies are registered under NPS as on March 31, 2024.

Further, there are three hundred sixty-three PoPs (registered with the Authority), three Central Recordkeeping Agency, one Trustee Bank, eleven Pension Funds and fifteen Annuity Service Providers as on March 31, 2024.

**Promotion and Development under NPS in Central Autonomous Bodies (CABs) and State Autonomous Bodies (SABs) during FY 2023-24:**

The activities undertaken for CABs and SABs are listed below:

- Engagement with the following categories of CABs and SABs for implementation of NPS:
- Registration of all eligible CABs and SABs, which have not yet initiated the registration process under NPS, as per the CG/SG notification
- Completion of the pending registration process of the unregistered CABs and SABs
- Enrolment of eligible employees of the registered CABs and SABs under NPS
- Transfer of regular as well as legacy/arrear NPS contributions for the enrolled employees of registered CABs and SABs
- Co-ordination with CG Ministries / State governments for registration of potential CABs/ SABs
- Engagement with State Govt for issuing NPS notification for SHG and SABs

## 3.2 Approval of schemes, the terms and conditions thereof including norms for the management of corpus of the pension funds and investment guidelines under such schemes

In terms of the GoI notification F. No. 1/3/2016-PR dated 31.01.2019, the allocation of incremental NPS subscription of government employees under default scheme was distributed among the 03 Pension Funds based on their past financial year performance as under: -

**Table No. 3.5: Allocation of CG Scheme**

| CG Scheme | Allocation (in %) |
|---|---|
| SBI Pension Funds Pvt. Ltd. | 34.5 |
| UTI Retirement Solutions Ltd. | 32.0 |
| LIC Pension Fund Ltd. | 33.5 |

**Table No. 3.6: Allocation of SG Scheme**

| SG Scheme | Allocation (in %) |
|---|---|
| SBI Pension Funds Pvt. Ltd. | 34 |
| UTI Retirement Solutions Ltd. | 32 |
| LIC Pension Fund Ltd. | 34 |

For APY Scheme and APY Fund Scheme, the allocation of incremental funds for FY 2023-24 was distributed among the 03 Pension Funds based on their past financial year performance as under: -

**Table No. 3.7: Allocation of APY Scheme**

| APY Scheme/ APY Fund Scheme | Allocation (in %) |
|---|---|
| SBI Pension Funds Pvt. Ltd. | 34 |
| UTI Retirement Solutions Ltd. | 31 |
| LIC Pension Fund Ltd. | 35 |

For NPS Tier-II Composite scheme which was introduced in FY 2023-24 exclusively for Government employees, the allocation of funds among the 03 Pension Funds was as per the ratio applicable for Central & State Government subscribers as mentioned above.

For NPS Tier-II Composite scheme which was introduced in FY 2023-24 exclusively for Government employees, the allocation of funds among the 03 Pension Funds was as per the ratio applicable for Central & State Government subscribers as mentioned above.

## 3.3 Exit of subscribers from the National Pension System

### 3.3.1 As per PFRDA (Exits and Withdrawals under the NPS) Regulations, 2015, and amendments thereof, following Withdrawal categories are allowed:

As per PFRDA (Exits and Withdrawals under the NPS) Regulations, 2015, following Withdrawal categories are applicable:

**Table No. 3.8: PFRDA (Exits and Withdrawals under the NPS) Regulations, 2015, and amendments thereof**

| S. No. | Withdrawal Categories | Conditions in Government Sector | Conditions in Non-Government Sector |
|---|---|---|---|
| 1 | **Upon Normal Superannuation** | At least 40 per cent of the accumulated pension wealth of the Subscriber has to be utilized for purchase of an Annuity providing for monthly pension to the Subscriber and the balance is paid as lump sum to the Subscriber.<br>If the accumulated pension wealth in the PRAN is equal to or less than 5 lakhs, the subscriber shall have the option to withdraw the entire accumulated pension wealth without purchasing annuity. | Same as Government Sector |
| 2 | **Upon Death** | At least 80 per cent of the accumulated pension wealth of the Subscriber has to be utilized for purchase of an Annuity providing for monthly pension to the Spouse and the balance is paid as lump sum to the nominee/legal heir.<br>The Default Annuity provides a lifetime annuity for the subscriber's spouse, and if the spouse is not alive, it is paid to the subscriber's | If subscriber before attaining the age of 60 years or superannuation dies, then the entire accumulated pension wealth of the subscriber shall be paid to the nominee or nominees or legal heirs.<br>The nominee or family members of the deceased |

| | | | |
|---|---|---|---|
| | | living dependent parents, and if they are not alive, it is paid to the surviving legal heirs of the subscriber.<br>If the accumulated pension wealth in the PRAN at the time of his death is equal to or less than 5 lakhs, the nominee or legal heirs as shall have the option to withdraw the entire accumulated pension wealth without purchasing annuity. | subscriber shall have the option to purchase any of the annuities being offered upon exit if they so desire. |
| 3 | **Pre-mature Exit** | At least 80 per cent of the accumulated pension wealth of the Subscriber has to be utilized for purchase of an Annuity providing the monthly pension to the Subscriber and the balance is paid as a lump sum to the Subscriber.<br>If the accumulated pension wealth in the PRAN is equal to or less than 2.5 lakhs, such subscriber shall have the option to withdraw the entire accumulated pension wealth without purchasing any annuity. | The option so exercised shall be allowed only upon such subscriber having subscribed to the national pension system for at least a minimum period of ten years. At least 80 per cent of the accumulated pension wealth of the Subscriber has to be utilized for purchase of an Annuity providing the monthly pension to the Subscriber and the balance is paid as a lump sum to the Subscriber.<br>If the accumulated pension wealth in the PRAN is equal to or less than 2.5 lakhs, such subscriber shall have the option to withdraw the entire accumulated pension wealth without purchasing any annuity. |