Sustaining minimum pension under NPS

2095. SHRI SANJAY SETH: Will the Minister of FINANCE be pleased to state:

(a) whether consultations were undertaken with stakeholders before deciding on the New Pension Scheme (NPS);

(b) if so, the details thereof;

(c) whether it is a fact that the NPS is equity oriented, thereby making monthly pension highly contingent upon market conditions; and

(d) what social security measures have been taken to ensure a sustainable minimum pension delivery to the beneficiaries in case investments fail?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SHIV PRATAP SHUKLA): (a) and (b) Government had made a conscious move to shift from the defined benefit pension scheme to defined contribution pension scheme *i.e.* National Pension System (NPS) due to rising and unsustainable pension bill. The Government of India *vide* notification dated 22.12.2003 had introduced the National Pension System (NPS) (earlier known as New Pension Scheme) for its employees and made it mandatory for all new recruits of the Central Government (excluding armed forces) who joined service on or after 01.01.2004.

(c) NPS is market-linked retirement product. The investment under NPS is made in various asset classes including Government Securities, Corporate Debt instruments and equities as per the investment guidelines issued by Pension Fund Regulatory and Development Authority (PFRDA) in this regard, out of these the investment in equity is up to maximum 15% only.

(d) The Government has recently approved proposals for streamlining the NPS and to ensure a sustainable minimum pension delivery. The measures are as follows:–

(i) Enhancement of the mandatory contribution by the Central Government for Tier I accounts of its employees covered under NPS from the existing 10% to 14%. The employees' contribution rate would remain at the existing 10%.

(ii) Providing freedom of choice for selection of Pension Funds and pattern of investment to Central Government employees.

(iii) Tax exemption limit for lump sum withdrawal on exit has been enhanced to 60%. With this, the entire withdrawal will now be exempt from income tax.