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Frequently Asked Questions (FAQs)

on Exit from NPS

for Central Government Sector (CG) and Central Autonomous Bodies (CABs)

DISCLAIMER: For detailed provisions and regulations, please refer PFRDA (Exit and Withdrawal under National Pension System) Regulations 2015 and subsequent amendments under it. The same are also available on website of PFRDA at www.pfrda.org.in.

Question

1. What is an exit?
2. When can I exit from NPS?
3. Whether pre-mature exit and voluntary retirement are same or not?
4. What shall be my benefits, if I opt for pre-mature exit from NPS?

Answer

An exit is defined as closure of individual pension account of the subscriber under National Pension System.

A subscriber can exit from NPS at any point but complete withdrawal is subject to certain conditions.

Yes, under NPS both are same. Pre-mature exit is defined under NPS as exit before the superannuation/retirement age. Under NPS, Voluntary retirement is treated as pre-mature exit.

However, eligibility & terms of Voluntary retirement are defined/governed by service rules and regulations of the respective organization.

Pre-mature exit or Voluntary retirement-

Minimum Annuitisation- 80% of accumulated wealth.

Maximum Lump sum Withdrawal- 20% of accumulated wealth.

If the accumulated pension wealth of the subscriber is equal to or less than **one lakh rupees or a limit to be**

5. What shall be my benefits, if I retire/ superannuate from NPS?
specified by the Authority, such subscriber shall have the option to withdraw the entire accumulated pension wealth without purchasing any annuity.
Retirement / Superannuation –

Minimum Annuitisation- 40% of accumulated wealth.

Maximum Lump sum Withdrawal- 60% of accumulated wealth.

The Subscriber may choose to purchase an annuity for an amount greater than 40 percent also.

If the accumulated pension wealth of the subscriber is equal to or less than two lakh rupees, or a limit to be specified by the Authority, such subscriber shall have the option to withdraw the entire accumulated pension wealth without purchasing any annuity.

6. What are the provisions to settle the cases in the unfortunate death of the NPS subscriber during the service?

As per Office Memorandum No. 38/41/06/P&PW (A) dated 05.05.2009, the central government subscribers covered under NPS are eligible for family pension in case of death / disability during the service

If the family member opts for family pension, as per regulations all the accumulated wealth shall be transferred to the bank account of the nodal office for further settlement as per government directives.

However, our exit regulations say (not applicable as mentioned above):

Minimum Annuitisation- 80% of accumulated wealth.

Maximum Lump sum Withdrawal- 20% of accumulated wealth.

If the accumulated pension wealth of the subscriber is equal to or less than two lakh rupees, or a limit to be specified by the Authority, such nominees/legal heirs shall have the option to withdraw the entire accumulated pension wealth without purchasing any annuity.

7. What are the provisions to settle the cases in the unfortunate death of the NPS subscriber

Where no valid nomination exists in accordance with these regulations, at the time of exit of such subscriber on account of death, the nomination, if any existing in

<p>during the service and no nomination has been provided in the account?</p>	<p>the records of such subscriber with his or her employer for the purpose of receiving other admissible terminal benefits shall be treated as nomination exercised for the purposes of receiving benefits under the National Pension System. The employer shall send a confirmation of such nomination in its records, to the National Pension System Trust or the central recordkeeping agency, while forwarding the claim for processing.</p>
<p>8. Can I defer my lump sum in case of pre-mature exit from the system?</p>	<p>No.</p>
<p>9. Can I defer my lump sum in case of retirement / superannuation? If yes, what are the provisions and requirements to avail this facility?</p>	<p>Yes. The lump sum can be deferred till the age of 70 years which can be withdrawn at any time between superannuation and 70 years of age or every year till age of 70 years. The subscriber has to give in writing (intimation to the employer) in the specified form at least fifteen days before the attainment of age of superannuation and same should be authorized by the associated Nodal office in the CRA system . If deferment is availed by the subscriber, subscriber has to bear the maintenance charges like CRA, PFM etc.</p>
<p>10. Can I defer my annuity at the time of retirement/superannuation? If yes, what are the provisions?</p>	<p>Yes. Annuity purchase can also be deferred for maximum period of 3 years. The subscriber has to give in writing (intimation to the employer) at least fifteen days before the attainment of age of superannuation and same should be authorized by the associated Nodal office in the CRA system. If the death of the subscriber occurs before such due date of purchase of an annuity after the deferment, the annuity shall mandatorily be purchased by the spouse.</p>
<p>11. Can I defer both lump sum and annuity at the time of</p>	<p>Yes.</p>

retirement/superannuation?

12. Can I keep on contributing in my Tier-1 account even after retirement / superannuation?

Yes. The Subscriber shall have the option to do so by giving in writing and up to which age he would like to contribute to his individual pension account but not exceeding seventy years of age.

In such scenario, subscriber has to shift his/her PRAN to any POP or e-NPS. Nodal office shall not assist in uploading of contribution after the date of superannuation. Subscriber has to operate account in his/her individual capacity only.

Such option shall be exercised at least fifteen days prior to the age of attaining sixty years or age or superannuation, as the case may be, and same should be authorized by the associated Nodal office in the CRA system.

Subscriber has to bear the maintenance charges like PoP , CRA, PFM etc.

13. If I continue my Tier-1 account even after retirement / superannuation, Can I avail the facility of deferment of lump sum and annuity during the extended period?

No, Upon exercise of the option of continuation after the superannuation, the other options of deferment of benefits (lump sum and annuity) shall not be available to such a subscriber.

14. Can I terminate my extension any time before the attaining the age of 70 years or I have to continue the Tier -1 till the age of 70 years?

Even after exercise of such option, the subscriber may exit at any point of time from National Pension System, by submitting a withdrawal request as prescribed.

15. Who shall bear the transaction and other charges, if I avail the facility of continuation of Tier-1 account after the retirement / superannuation?

Subscriber has to bear all the applicable charges including maintenance charges like PoP , CRA, PFM etc., if he avails such facility.

16. Can I continue my Tier-2 account after the closure of Tier -1 account?

No. Upon exit from Tier 1 account, the Tier 2 account gets closed automatically.



17. Can I continue my Tier -2 account, if decide to continue Tier-1 account even after the retirement / superannuation?	Yes. A subscriber can contribute to his Tier 2 account till the time he has an active Tier 1 account.
18. What is annuity?	An annuity is a product that pays out regular income. It is a contract for deferred payment. The main objective of an annuity is to give regular income to the subscriber even after retirement/working age.
19. In case of pre-mature exit, when will my annuity start i.e. immediately or after the age of 60 years?	Annuity starts immediately after the minimum age required for purchasing any annuity (depending upon choice of ASP and Annuity scheme. For e.g. 30, 35 or 38) from any of the empanelled annuity service providers. Subscriber need not wait till the age of 60 years.
20. What are the annuity options available to me under NPS?	<p>The following are the most common variants that are available:</p> <p>a) Default scheme : Annuity for life of the subscriber and his or her spouse (if any) with provision for return of purchase price of the annuity- After the demise of such subscriber, the annuity will be re-issued to the family members in the order specified hereunder :</p> <p style="padding-left: 40px;">(a) living dependent mother ; (b) living dependent father.</p> <p style="padding-left: 40px;">After the coverage of all the family members specified above, the purchase price shall be returned to the surviving children of the subscriber and in the absence of children, the legal heirs of the subscriber, as may be applicable.</p> <p>If subscriber does not want to purchase default annuity scheme , he may choose any of the following schemes:</p> <p>b) Annuity for life with return of purchase price (amount given to annuity service provider) on death- Employee shall get annuity (monthly pension) till he/she is alive and payment of annuity ceases on the death and the purchase price is returned to the nominee.</p> <p>c) Annuity guaranteed for 5, 10, 15 or 20 years</p>

and for life thereafter

- **On death during the guaranteed period**
– Employee shall get annuity and after his/her death during the guaranteed period, annuity is paid to the nominee till the end of the guaranteed period after which the same ceases and no return of purchase price to the nominee.
- **On death after the guarantee period** –
Employee shall get payment of annuity till he/she is alive even after the guaranteed period and annuity ceases after his/her death and no return of purchase price to nominee.

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- d) **Annuity for life** - Employee shall get payment of annuity till he/she is alive & payment of annuity ceases on death and no return of purchase price to nominee.
- e) **Annuity for life increasing at simple rate of 3% p.a.** Employee shall get payment of annuity till he/she is alive & payment of annuity ceases on death and no return of purchase price to nominee.
- f) **Annuity for life with a provision for 50% of the annuity to the spouse of the annuitant for life on death of the annuitant-** Payment of annuity ceases on death of subscriber and 50% of the annuity is paid to the surviving named spouse during his/her life time. If the spouse predeceases the annuitant, payment of annuity will cease after the death of the annuitant. It can be with or without return of purchase price.
- g) **Annuity for life with a provision of 100% of the annuity payable to spouse during his/her lifetime on death of the annuitant.-** Payment of annuity ceases after death of the annuitant and full annuity is payable to the surviving named spouse during his/her life time. If the spouse predeceases the annuitant, the annuity ceases after death of the annuitant. It can be with or without return of purchase price

Subscriber can also add spouse in any of the variants (other than default) above.

All ASPs may not provide all the variants .It may vary from ASP to ASP.

21. Whether I have to go by the default annuity or I have a choice to decide other annuity type also?

Pricing of annuity also varies ASP to ASP

The subscriber can choose any other annuity, other than default annuity, available with the empanelled Annuity Service Providers (ASPs).

22. Where can I check the rates offered by the annuity service providers on various type of annuities?

Details of annuity rates and other details may be checked on CRA website (link given below).

<https://www.npscra.nsdl.co.in/annuity-service-providers.php>

23. Can I change my annuity service provider or annuity type any time?

Once an annuity is purchased, the option of cancellation or reinvestment with another Annuity Service Provider or in other annuity scheme shall not be allowed unless the same is within the time limit specified by the Annuity Service Provider, for the free look period as provided in the terms of the annuity contract or specifically provided by the Insurance Regulatory and Development Authority.

24. What functions are performed by Annuity Service Providers (ASPs)?

Annuity Service Providers (ASPs) are empaneled by PFRDA to annuity to subscribers through their various schemes. Subscribers will have the option to invest their amount into one annuity scheme upon retirement/resignation. ASPs would be responsible for delivering a regular monthly pension (annuity) to the subscriber for the rest of his/her life.

25. Is it mandatory to purchase annuity under NPS at the time of exit?

Yes, but there are some scenarios where the subscriber/nominees/legal heirs can withdraw the whole accumulated wealth.

26. Which companies are empanelled under PFRDA as Annuity Service Providers (ASPs)?

1. Life Insurance Corporation of India
2. SBI Life Insurance Co. Ltd.
3. ICICI Prudential Life Insurance Co. Ltd.
4. HDFC Standard Life Insurance Co Ltd
5. Star Union Dai-ichi Life Insurance Co. Ltd

***Subject to change from time to time.**



27. Will I get back the amount invested for annuity purchase? Only in annuity types where there is provision of return of purchase price.
28. In case of retirement / superannuation, when should I submit my withdrawal request i.e. after the date of retirement or before the retirement? CRA network sends a communication 6 months before the superannuation/retirement date generating a **Claim ID** to the subscriber and nodal office. It is advisable that the subscriber should submit all the documents to the nodal office atleast 1 month before the superannuation/retirement date.
29. Can I withdraw before attaining the age of retirement / superannuation? Yes, it is termed as **Partial Withdrawal**. <https://npscra.nsdl.co.in/central-forms.php>
30. If yes, how much amount can be withdrawn? Up to 25% of the contribution made by the subscriber (without considering the appreciation /returns on the amount) as on date of application of withdrawal.
31. Can I withdraw any number of times during the service? No.
A subscriber is allowed to withdraw only three times during the entire tenure of service.
32. What are the conditions under which partial withdrawal can happen? Conditions:
1. NPS subscriber for atleast 3 years.
2. Withdrawal is allowed for some specific purposes only.
a) For the higher education of children
b) For the marriage of children
c) For the purchase/construction of residential house or flat in his or her own name or in a joint name with his or her legally wedded spouse. In case, the subscriber already owns either individually or in the joint name a residential house or flat, other than ancestral property, no withdrawal under these regulations shall be permitted.
d) Treatment for prescribed illnesses – suffered by subscriber, his legally wedded spouse, children including a legally adopted child and dependent parents.
Prescribed illnesses includes:
(i) Cancer;
(ii) Kidney Failure (End Stage Renal Failure);
(iii) Primary Pulmonary Arterial Hypertension;

- (iv) Multiple Sclerosis;
- (v) Major Organ Transplant;
- (vi) Coronary Artery Bypass Graft;
- (vii) Aorta Graft Surgery;
- (viii) Heart Valve Surgery;
- (ix) Stroke;
- (x) Myocardial Infarction
- (xi) Coma;
- (xii) Total blindness;
- (xiii) Paralysis;
- (xiv) Accident of serious/ life threatening nature.
- (xv) Any other critical illness of a life threatening nature as stipulated in the circulars, guidelines or notifications issued by the Authority from time to time.

33. If I avail partial withdrawal facility, will I get the same benefit as applicable at the time of retirement/ superannuation?

Yes.

34. Whether I am eligible for Gratuity?

Yes as per latest OM No. 7/5/2012-P&PW(F)/B dt. 26.08.2016 issued by Department of Pension and Pensioners Welfare, the Central Government employees covered under NPS are eligible for 'Retirement Gratuity and Death Gratuity'.

35. What are tax benefits available under IT Act, 1961 for Tier 1 Account?

I) On Contributions:
Employee's own Contribution- Eligible for tax deduction under sec 80 CCD (1) of Income Tax Act up to 10% of salary (Basic + DA) within the overall ceiling of Rs. 1.50 Lacs under Sec. 80 C of the Income Tax Act.

From F.Y. 2015-16, subscriber will be allowed tax deduction in addition to the deduction allowed under Sec. 80CCD(1) for contribution in his NPS account subject to maximum of Rs. 50,000/- under sec. 80CCD 1(B).

Employer's contribution: Up to 10% of Basic & DA (no upper monetary ceiling) under 80CCD(2). This rebate is over and above 80 C. (This tax benefit is only available for NPS subscribers).

II) Partial Withdrawal- Tax free

III) Lump sum Withdrawal- In case of superannuation, 40% of lump sum withdrawal is tax free.

IV) **Annuity-** Amount utilized for purchase of annuity is not taxable in the hands of the subscriber.

36. What are tax benefits available under IT Act, 1961 for Tier 2 Account?

No tax benefit is available for Tier 2 account

37. Where can I find list of important forms related to exit and withdrawal?

Particulars	Form No.
a) Superannuation	101
b) Pre mature Exit	102
c) Death	103

For PFRDA



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