

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

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**LOK SABHA**  
**UNSTARRED QUESTION NO. 4074**  
**TO BE ANSWERED ON JANUARY 4, 2019/PAUSHA 14, 1940 (SAKA)**  
**NPS INVESTMENT IN EQUITIES**

4074. Shri Ponguleti Srinivasa Reddy

Will the Minister of FINANCE be pleased to state:

- a) whether the members of the National Pension System (NPS) propose to opt for higher investments in equities as well as part of their retirement savings in new asset classes such as real estate and infrastructure investment trusts, mortgage-backed securities and alternative investment funds registered with the stock market regulator and if so, the details thereof;
- b) whether a new life-cycle fund with equity allocation of 25 per cent at the age of 35 years is being introduced for those with a conservative outlook to investing; and
- c) if so, the details and the present status thereof?

**ANSWER**

The Minister of State in the Ministry of Finance  
(Shri Shiv Pratap Shukla)

(a) As informed by PFRDA, the existing investment guidelines dated 03.06.2015 issued by the Pension Fund Regulatory and Development Authority (PFRDA) for National Pension System (NPS), (applicable to Scheme Central Government, Scheme State Government, Corporate Central Government Scheme, NPS Lite Scheme and Atal Pension Yojana), provides for investment under Equities and related investment with an upper exposure limit of 15%. Investment under Asset Backed, Trust Structured and Miscellaneous Investments is included with an upper exposure limit of 5% as under:

- a) Commercial mortgage based Securities or Residential mortgage based securities
- b) Units issued by Real Estate Investment Trusts regulated by SEBI
- c) Asset Backed Securities regulated by SEBI
- d) Units of Infrastructure Investment Trusts regulated by SEBI

Further, for the subscribers of other than Government Sector, the Alternative Investment Funds (AIF) is included in the Asset Class A for investment with an upper exposure limit of 5%, as per existing Investment Guidelines. The permissible securities under Asset class A as per Investment guidelines for NPS Schemes for such subscribers are listed as under:

- a) Commercial mortgage based Securities or Residential mortgage based securities
- b) Asset Backed Securities regulated by SEBI
- c) Units issued by Real Estate Investment Trusts regulated by SEBI
- d) Units of Infrastructure Investment Trusts regulated by SEBI
- e) Investment in SEBI regulated 'Alternative Investment Funds' AIF (Category I and II only) as defined under the SEBI (AIF) Regulations, 2012
- f) Basel III Tier-1 bonds issued by scheduled commercial banks under RBI guidelines.

(b) & (c) The choice of life cycle funds is currently not available to subscribers under the Government Sector. However, on 06.12.2018, Government has approved the following proposals pertaining to choice of investment pattern for Central Government subscribers:

- i. Government employees who prefer higher returns may be given the options of the following two Life Cycle based schemes.

- Conservative Life Cycle Fund with maximum exposure to equity capped at 25% at the age of 35 years and tapering off thereafter (LC-25).
  - Moderate Life Cycle Fund with maximum exposure to equity capped at 50% at the age of 35 years and tapering off thereafter (LC-50).
- ii. Government employees who prefer a fixed return with minimum amount of risk may be given an option to invest 100% of the funds in Government securities (Scheme G).

The notification for the same is under process.

In respect of subscribers of other than the Government Sector, PFRDA vide circular No. PFRDA/2016/8/PFM/03 dated 04.11.2016, had introduced two new Life Cycle Funds for private sector subscribers, in addition to the existing Moderate Life Cycle Fund (LC-50), to provide a pre-programmed diversification of assets in various asset classes as per the age and risk profile of the subscriber under NPS.

These two Life cycle funds for investment are- Aggressive Life Cycle Fund and Conservative Life Cycle Fund. In Aggressive Life Cycle Fund (LC-75), the maximum investment in equity is restricted to 75% till the age of 35 years with tapering off of the equity exposure thereafter, whereas the same has been restricted to 25% in case of Conservative Life Cycle Fund (LC-25).

The existing Moderate Life Cycle Fund (LC-50) where the investment in equity is restricted to 50% is the default scheme.

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