GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
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**LOK SABHA**
**UNSTARRED QUESTION NO. 2520**

**TO BE ANSWERED ON 18th DECEMBER, 2023 (MONDAY)/ AGRAHAYANA 27, 1945 (SAKA)**
**NEW PENSION SCHEME**

2520. Dr. Kalanidhi Veeraswamy

Will the Minister of Finance be pleased to state:

(a) the details of the new pension scheme;
(b) the details of the number of employees covered under this scheme across the country so far;
(c) the details of the percentage of share being contributed by the employee as well as the Government under this scheme;
(d) whether the Government has taken note that in some States the employees who have retired under this scheme are getting meagre amount i.e. 1000, 1500 & 2000 as monthly pension which is insufficient to meet their daily needs in this age;
(e) if so, the details thereof and the reasons therefor; and
(f) whether the Government is proposing to fix a minimum amount as monthly pension under this scheme and if so, the details thereof and if not, the reasons therefor?

**ANSWER**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(DR. BHAGWAT KARAD)

(a) to (c) The National Pension System (NPS) was introduced by the Government of India vide notification dated 22.12.2003 to replace the defined benefit pension system by defined contribution pension scheme in order to provide old age income security in a fiscally sustainable manner and to channelize small savings into productive sectors of the economy through prudential investments. It was made mandatory for all new recruits to the Government service (except armed forces) with effect from 01.01.2004, and has also been rolled out for all citizens with effect from 01.05.2009, on voluntary basis. The Government of India has taken a number of steps for streamlining NPS for Central Government employees and to protect the interest of the subscribers. These include enhancement of Government's contribution from the earlier 10% of Pay + DA to 14% of Pay + DA, while keeping the employees' contribution at the existing 10% of Pay + DA, freedom of choice for selection of Pension Funds and pattern of investment to subscribers, payment of compensation for non-deposit or delayed deposit of NPS contributions, tax exemption under Section 80C of the Income Tax Act, 1961 and increase in tax exemption limit for lump sum withdrawal on exit from earlier 40% to 60% of the amount due, making the entire withdrawal exempt from income tax.

As on 31.10.2023, total number of subscribers under NPS, including Central Government, State Government, and Corporate, is 1,06,69,257.

(d) to (f) As per Section 20 (2) (g) of the Pension Fund Regulatory and Development Authority (PFRDA) Act, 2013, returns on the contributions are market linked. To protect the interests of subscribers under NPS the pension contribution is invested prudentially by Pension Fund Managers, which are regulated by PFRDA, as per the investment guidelines of PFRDA and the accumulated corpus grows with a compounding effect.

The accumulated corpus at exit on superannuation is tax free. 60% of the accumulated pension wealth is given as lump sum and the remaining 40% pension wealth is annuitized. The subscriber is free to choose a higher percentage of corpus (up to maximum 100%) to be utilized for purchase of annuity to get a higher pension amount.

The accumulated corpus with which a subscriber buys annuity for a periodic pension is determined by many factors which, inter alia, include: -

- Size of monthly contributions;
- Period for which contribution is made;
- Period for which money remains invested.
- Investment pattern chosen.
- Partial withdrawals, if any, made during the service.

In the year 2019, Government allowed Central Government employees to choose the pension fund and investment pattern for enabling higher returns on investment leading to expected higher pension pay-outs.

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