

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 2083

TO BE ANSWERED ON 2ND AUGUST, 2021 (MONDAY) / SRAVANA 11, 1943 (SAKA)

Less Benefits In NPS

2083. Shri Deepak Baij

Will the Minister of FINANCE be pleased to state:

- (a) whether the retired employees are getting less retirement pension under the New Pension Scheme (NPS) which is not sufficient for spending respectful retirement life due to dearness and if so, the details thereof;
- (b) the number of the associations of government employees demanding for Old Pension Scheme (OPS) prevailed before 2004;
- (c) whether the Government proposes to reintroduce OPS prevailing before 2004 so that the retired persons could get pension sufficient for subsistence; and
- (d) if so, the details thereof?

ANSWER

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

(a) National Pension System (NPS) has been designed giving utmost importance to the welfare of the subscribers. Government has made a conscious move to shift from the defined benefit pension scheme to defined contribution pension scheme i.e. NPS, due to rising and unsustainable pension bill.

Under NPS, the pension wealth which accumulates over a period of time till retirement is invested prudentially as per the investment guidelines prescribed by PFRDA, grows with a compounding effect. At exit, 60% of the accumulated pension wealth is given as lump sum which is tax free and the remaining 40% is annuitized which is also tax free. If a subscriber feels the need for a higher pension, he/she is free to choose a higher percentage of corpus (up to maximum 100%) to be utilized for purchase of annuity, which will further provide higher pension amount.

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

- Size of monthly contributions and additional contributions by the subscribers, if any.
- Period of contribution and the regularity of monthly contributions
- Time allowed for the investments to grow in the scheme
- Scheme chosen and its market returns.
- Partial withdrawals, if any, made during the service

In the year 2019, Government allowed employees to have a choice of investment so that he/she will get higher returns on investment, thus higher amount of corpus accumulation for pension payouts.

Further, annuity as a product which provides pension payout, may be dependent, inter alia, on the following factors :-

- Annuity Service Provider chosen and the size of the corpus with which the annuity is purchased
- The type of annuity plan chosen and the prevalent annuity rates
- The period of annuity chosen i.e. for how many years annuity will be paid to the subscriber and the periodicity of payment selected (i.e. monthly, quarterly, yearly, etc.)

(b) to (d) Representations have been received which inter alia also include the demand that the Government may revert to old defined benefit pension system. However, there is no proposal under consideration to revert to the old pension scheme in respect of Central Government employees recruited on or after 01.01.2004.
