



पेंशन निधि विनियामक और
विकास प्राधिकरण

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**PENSION FUND REGULATORY
AND DEVELOPMENT AUTHORITY**

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CIRCULAR

PFRDA/2019/12/REG-PF/1

Date: 8th May, 2019

SUBJECT: Introduction of choice of Pension Funds and Investment Pattern in Tier-I of NPS for Central Government subscribers –reg.

Reference is invited to the Gazette Notification F.No.1/3/2016-PR dated 31st January, 2019 issued by Ministry of Finance, Department of Financial Services, modifying Ministry of Finance's Notification No. 5/7/2003-ECB dated 22nd December, 2003, based on the Government's decision on the recommendations of a Committee set up to suggest measures for streamlining the implementation of National Pension System (NPS).

2. Accordingly, it has been decided to introduce the following options for Central Government subscribers:

(i) **Choice of Pension Fund:** As in the case of subscribers in the private sector, the Government subscribers shall also be allowed to choose any one of the pension funds including Private sector pension funds. They could change their option once in a year. However, the current provision of combination of the Public-Sector Pension Funds will be available as the default option for both existing as well as new Government subscribers.

(ii) **Choice of Investment pattern:** The following options for investment choices shall be offered to Government employees:

(a) The existing scheme in which funds are allocated by the PFRDA among the three Public Sector Undertaking fund managers based on their past performance in accordance with the guidelines of PFRDA for Government employees shall continue as default scheme for both existing and new subscribers.

(b) Government employees who prefer a fixed return with minimum amount of risk shall be given an option to invest 100% of the funds in Government securities (Scheme G).

(c) Government employees who prefer higher returns shall be given the options of the following two Life Cycle based schemes:

(A) Conservative Life Cycle Fund with maximum exposure to equity capped at 25% - LC-25.

(B) Moderate Life Cycle Fund with maximum exposure to equity capped at 50% - LC-50.

The subscribers may exercise one of the above choices of Investment Pattern twice in a financial year.

(iii) Implementation of choices to the legacy corpus: Transfer of a huge legacy corpus of more than Rs. 1 lakh crore in respect of the Government sector subscribers from the existing Pension Fund Managers is likely to impact the market. It may be practically difficult for the PFRDA to allow Government subscribers to change the Pension Funds or investment pattern in respect of the accumulated corpus, in one go. Therefore, for the present, change in the Pension Funds or investment pattern is allowed in respect of incremental flows only.

(iv) Transfer of legacy corpus in a reasonable time frame: PFRDA shall draw up a scheme in due course for transfer of accumulated corpus as per new choices of Government subscribers in a reasonable time frame of say five years. Once PFRDA draws up this scheme, change in the Pension Funds or investment pattern shall be allowed in respect of the accumulated corpus in accordance with that scheme.

3. For investment option as per para 2 (ii) (a) above, all other terms and conditions as contained in the investment guidelines issued by the Authority dated 03.06.2015 for NPS Schemes (Applicable to Scheme CG, Scheme SG, Corporate CG and NPS Lite Schemes and APY) and subsequent amendments made thereto shall be applicable. Further, for investment options as per para 2 (ii) (b) or 2 (ii) (c) (A) or 2 (ii) (c) (B) above, all other terms and conditions as contained in the investment guidelines issued by the Authority dated 04.05.2017 in respect of NPS Schemes {Other than Govt. Sector (CG & SG), Corporate CG, NPS Lite and APY} and subsequent amendments made thereto shall apply.

4. This circular is issued in exercise of powers of the Authority under sub-clause (b) of sub-section (2) of Section 14 read with Section 23 of the PFRDA Act, 2013 and sub-regulation (1) of Regulation 14 of the PFRDA (Pension Fund) Regulations, 2015.

The above arrangements are applicable w.e.f. 1st April, 2019.



(A. G. Das)
Executive Director