

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

**LOK SABHA PASSES PENSION FUND REGULATORY AND DEVELOPMENT
AUTHORITY BILL, 2011 WITH OFFICIAL AMENDMENTS; SUBSCRIBERS
SEEKING MINIMUM ASSURED RETURNS ALLOWED TO OPT FOR
INVESTING THEIR FUNDS IN SUCH SCHEME PROVIDING MINIMUM
ASSURED RETURNS**

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Bhadrapada 13, 1935

The Pension Fund Regulatory and Development Authority Bill (PFRDA), 2011 was passed by the Lok Sabha today with official amendments. It was earlier introduced in Lok Sabha on the 24th March, 2011 to provide for a statutory regulatory body the Pension Fund Regulatory and Development Authority (PFRDA) under the provisions of the Bill. The legislation seeks to empower PFRDA to regulate the New Pension System (NPS).

The PFRDA Bill, 2011 was referred to the Standing Committee on Finance on the 29th March, 2011 for examination and report thereon. The Standing Committee on Finance gave its Report on 30th August, 2011. Some of the key amendments incorporated in the Bill based on the recommendations of the Standing Committee on Finance are as follows:

- a) That the subscriber seeking minimum assured returns shall be allowed to opt for investing his funds in such scheme providing minimum assured returns as may be notified by the Authority;
- b) Withdrawals will be permitted from the individual pension account subject to the conditions, such as, purpose, frequency and limits, as may be specified by the regulations;
- c) The foreign investment in the pension sector at 26% or such percentage as may be approved for the Insurance Sector, whichever is higher;
- d) At least one of the pension fund managers shall be from the public sector;

- e) To establish a vibrant Pension Advisory Committee with representation from all major stakeholders to advise PFRDA on important matters of framing of regulations under the PFRDA Act.

Beside above, the Bill would make the Pension Fund Regulatory and Development Authority a statutory authority. Presently, it has non-statutory status. The NPS is based on the principle that ‘you save while you earn’ especially for retirement and is mainly for those who have a regular income.

This Bill would also provide subscribers a wide choice to invest their funds including for assured returns by opting for Government Bonds etc. as well as in other funds depending on their capacity to take risk.

The NPS has been made mandatory for all the central Government employees (except armed forces) entering service with effect from 1.1.2004. Twenty six (26) States have already notified NPS for their employees. NPS has been launched for all citizens of the country including un-organised sector workers, on voluntary basis, with effect from 1st May, 2009. Further, to encourage the people from the un-organised sector to voluntarily save for their retirement, the Government has launched the co-contributory pension scheme titled “Swavalamban Scheme” in the Budget of 2010-11. As on 14th August, 2013, the number of subscribers under NPS is 52.83 Lakh with a corpus of Rs.34, 965 crore. In order to effectively invest and manage huge funds belonging to a large number of subscribers and to ensure the integrity of NPS, creation of a statutory PFRDA with well defined powers, duties and responsibilities is considered absolutely necessary and would benefit all NPS subscribers.

The PFRDA Bill authorizes the PFRDA to establish a Pension Advisory Committee by notification under Clause 44 of the PFRDA Bill, 2011. The object of the Pension Advisory Committee shall be to advise the Authority on matters relating to the making of the regulations under the PFRDA Act.

Market based returns and wide coverage based on several investment options in the pension sector will build up the confidence in the subscribers, whereas withdrawals for limited purposes from Tier-I pension account will be an incentive for them to join NPS.
