



सिंडिकेटबैंक **SyndicateBank**

भारत सरकार का उपक्रम A Govt. of India Undertaking

प्रधान कार्यालय: मणिपाल (कर्नाटक)/Head Office: Manipal - 576 104 (Karnataka)

संगठन एवं पद्धति प्रभाग / ORGANISATION & METHODS

eCircular

Circular No. 086-2012-BC-PD-17-SWD

Date: 20-03-2012  
**PERMANENT UTILITY**

**IMPLEMENTATION OF NATIONAL PENSION SYSTEM (NPS) FOR EMPLOYEES  
JOINING THE BANK ON OR AFTER 01-04-2010**


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In terms of the Memorandum of Settlement dated 27-04-2010 signed with representative Workmen Unions and Joint Note dated 27-04-2010 signed with representative Officers' Organisations, employees joining the services of Banks on or after 1<sup>st</sup> April 2010 shall be eligible for the Defined Contributory Pension Scheme to be introduced for them which will be one as governed by the provisions of New Pension System introduced for the employees of Central Government w.e.f. 1<sup>st</sup> January 2004 and modified from time to time. The Scheme shall be regulated and administered by the Pension Fund Regulatory and Development Authority (PFRDA). There shall be no separate Provident Fund for employees joining the services of the Bank on or after 01-04-2010. The employees joining the services on or after 01-04-2010 shall contribute 10% of the pay and dearness allowance towards Defined Contributory Pension Scheme and the Bank shall make a matching contribution in respect of these employees.

PFRDA has since introduced a **Corporate Sector Model** under National Pension System (NPS) to suit various non- Govt. organizations including Banks. The Board of Directors in its meeting held on 28-02-2012, approved implementation of National Pension System in our Bank under Corporate Sector Model for the employees who have joined the Bank on or after 01-04-2010. Key features of the scheme are furnished in the Annexure. Steps are under way to enroll individual employees with PFRDA and instructions are being issued to branches separately.

Clarifications required, if any, on this circular may be sought from **Personnel Department, Staff Welfare Division at H.O. Manipal** through respective ROs as per extant guidelines.

GOXSU:YRSWI:YRUDE  
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(T. MURALIDHRAN)  
GENERAL MANAGER (P)

## **KEY FEATURES OF CORPORATE SECTOR MODEL OF NPS**

National Pension System is regulated by PFRDA with transparent investment norms and regular monitoring and performance review of fund managers by NPS Trust. Separate entities have been appointed by PFRDA for record keeping, banking and fund management. Corporate Sector Model of NPS is a customized version of core NPS Model to various non-Govt. Organisations and both existing as well as prospective employees can be brought under this platform.

### **1. ELIGIBLE SUBSCRIBERS:**

A citizen of India whether resident or non-resident, aged between 18-60 years of age as on the date of application can join NPS and the subscriber should comply with the Know Your Customer (KYC) norms. Pre-existing account holders under NPS cannot join again as the existing account is portable across the geographies and can be operated from anywhere in the country even if the subscriber changes the job/city.

### **2. TYPE OF ACCOUNTS:**

Under NPS, following two types of accounts will be available:

**Tier I Account** : This is a non-withdrawable account where Employer/Employee will be contributing and this will continue up to the age of 60 years of the subscriber. Minimum number of contribution per year is one and minimum amount of contribution is ₹6000/- per year (Minimum amount per contribution is ₹500/-).

**Tier II Account** : This is a voluntary savings account for all Tier I account holders and the subscriber will be free to withdraw savings from this account whenever they wish. The choice of investment and class of assets is as per Tier I account norms. Accumulations in Tier II account can be switched/transferred to Tier I account and not vice versa.

### **3. INVESTMENT OPTION:**

Under NPS, following two investment options will be available:

a. **Option I**: This scheme is on the lines designed for Central Government employees where investment norms are in accordance with Ministry of Finance guidelines and the allocation is across the schemes of following Pension Fund Managers (PFMs):

- LIC Pension Fund Ltd. – 35%
- SBI Pension Fund Ltd. - 33%
- UTI Retirement Solutions Ltd. – 32%

Under this option, individual subscribers will not have any choice in selection of PFMs.

b. **Option II** : This is designed for Un-organised Sector where the subscriber will have choice of selection of Pension Fund Managers and also the asset class type. There are six Pension Fund managers and three asset class types for selection.

As the memorandum of Settlement and Joint Note dated 27-04-2010 signed at industry level provides for introduction of a Defined Contributory Pension scheme for employees recruited on or after 01-04-2010 which will be governed by the provisions of NPS introduced for Central Government employees, our Bank has opted for Option I above.

### **4. EXIT OPTIONS :**

- A. **On attaining the age of 60 years and up to 70 years of age** : At exit, the subscriber will be required to invest minimum 40% of his/her accumulated savings (pension wealth) to purchase a life annuity from any IRDA regulated Life Insurance Company which is appointed by PFRDA. Rest of the savings may be withdrawn in lump sum or in a phased manner between the age 60 and 70.

- B. At any point before 60 years of age : The subscriber will be required to invest at least 80% of the accumulated savings(pension wealth) to purchase annuity from any IRDA regulated Life Insurance Company which is appointed by PFRDA. Rest of the pension wealth may be withdrawn as lump sum.
- C. Death due to any cause : In case of death, option will be available to the nominee to receive 100% of pension wealth in lump sum. However, if the nominee wishes to continue with NPS, he/she shall have to subscribe to NPS individually after following KYC procedure.

#### 5. NPS INTERMEDIARIES:

1. Points of Presence (PoP): PoPs are the first point of interaction between the voluntary subscriber and the NPS architecture. PoP- Service Providers (PoP-SPs) are the designated branches of registered PoPs to extend the reach of NPS. PoP/PoP-SPs perform the functions relating to registration of subscribers, undertaking KYC verification, receiving contributions and instructions from subscribers/corporate and transmission of the same to designated NPS intermediaries. Our Bank is already registered as PoP.
2. NPS Trust : PFRDA has established the NPS Trust under Indian Trusts Act/Income Tax Act 1882 and appointed Board of Trustees in whom the administration of national Pension System vests under Indian Law. The Trust is responsible for taking care of the funds under the NPS.
3. NPS Trustee Bank : Bank of India is appointed as Trustee Bank where NPS Trust is holding its bank account. Trustee Bank will facilitate fund transfers across various entities of NPS System.
4. Central Record Keeping Agency (CRA) : The functions of CRA includes record keeping, administration and customer service functions for all subscribers of the NPS, issue of Permanent Retirement Account Number(PRAN) to each subscriber, maintaining database of PRANs, recording transactions relating to each subscriber's PRAN etc.
5. Custodian : The Custodian under NPS is responsible for the custody of underlying assets. Stock Holding Corporation of India Ltd. is appointed as Custodian under NPS.
6. Annuity Service Providers(ASPs) : ASPs will play a vital role in the NPS as a certain percentage of accumulated long term pension wealth of the subscribers shall be converted into annuities from wherein they shall derive a monthly income post-retirement. The ASPs shall function as per the terms of appointment prescribed by PFRDA. Their overall regulation shall however vest with IRDA.
7. Pension Fund Managers(PFMs) : PFRDA has appointed through a process of competitive bidding, Pension Fund Managers under the NPS. These PFMs are performing the investment management functions under the NPS and they are required to invest strictly in accordance with the guidelines issued by PFRDA.

#### 6. CHARGE STRUCTURE:

PoP Charges	Initial Registration : ₹.40/- & Subsequent transaction : ₹.20/-
Central Record Keeping Charges	Opening Charges – ₹.50/- Annual maintenance charges – ₹.280/- Charges per transaction – ₹6/-
Custodian Charges	0.0075% p.a.
Fund Management Charges	0.0009% p.a.
Trustee Bank Charges	₹15/- per transaction emanating from a non-RBI location

Out of the above, PoP charges are to be collected upfront whereas other charges are collected at account level through NAV deduction/cancellation of units. As our Bank itself will be acting as PoP for its employee subscribers, collection of PoP charges are waived, as a special case.

**7. OTHER FEATURES:**

- (a) After allotment of PRAN. Each subscriber will receive a Telephone password which can be used to access his account on the call centre number (1-800-222080). The subscriber will also be provided an Internet Password (IPIN) for accessing his account on the CRA website on a 24X7 basis.
- (b) No assured returns on investment of pension wealth. Returns are market driven.
- (c) Employee's contribution is eligible for tax benefit under Sec.80CCD of Income Tax Act. Employer's contribution can be deducted as business expense up to 10% of the salary (Basic Pay and Dearness Allowance).
- (d) NPS account is portable. The account can be operated from anywhere in the country, even if the subscriber changes the job, city or the Pension Fund Manager.
- (e) NPS has a multi-layered Grievance Redressal Mechanism which is easily accessible, simple, quick, fair, responsive and effective.
- (f) If the subscriber contributes less than ₹6000/- in a year, then he would have to bear a default penalty of ₹100/- per year of default and the account would become dormant. To reactivate the same, the subscriber would have to pay minimum contributions along with penalty due for the period of dormancy.
- (g) Further details required if any on NPS may be obtained from the PFRDA website – [www.pfrda.org.in](http://www.pfrda.org.in)

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