

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 187
TO BE ANSWERED ON 18th JULY, 2022 (MONDAY)/ ASHADHA 27, 1944 (SAKA)

NEGATIVE RETURNS OF NPS

187. Shri Raja Amareshwara Naik,
Shri Bhola Singh,
Shri Rajveer Singh (Raju Bhaiya),
Shri Vinod Kumar Sonkar,
Dr. Sukanta Majumdar

Will the Minister of Finance be pleased to state:

- (a) whether the Government is aware that the New Pension Scheme (NPS) has given negative returns on its corpus in this financial year;
- (b) if so, whether the Government is aware of the fact that there is huge anger and unrest among the Government employees due to uncertainty and decline in their pension corpus and if so, the remedial action taken thereon;
- (c) whether the Government has received complaint against the fund managers of NPS regarding corruption/ malpractices in NPS and if so, the details thereof along with the action taken thereon;
- (d) whether the Government is considering to devise a mechanism for guarantee of minimum pension to the Central Government category of NPS subscribers; and
- (e) if so, the details thereof and along with the other steps being taken by the Government in this regard?

ANSWER

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

(a) & (b) Pension is a long-term financial product and its performance and returns are assessed on long term basis. Returns on NPS are market determined and annually evaluated by PFRDA. On the basis of returns, fund allocation is done amongst the three fund managers by PFRDA. For the financial year 2021-22, the returns under NPS for Government employees have been 6.91%. NPS returns in respect of Government employees since inception are 9.33%. These returns are compounded annual growth rate of corpus invested in various assets classes viz. Government securities, Corporate debt instruments, Money market instruments and equity market. For financial year 2021-22 NPS returns are better than most debt instruments.

The investment guidelines of NPS are framed by the Pension Fund Regulatory and Development Authority (PFRDA) and adequate safeguards are placed while framing these guidelines. The Pension Fund managers registered with PFRDA make investments under NPS in various asset classes i.e. Government securities, Corporate debt instruments, Money market instruments, Equity market etc., as per the investment guidelines and the amendments thereto issued by PFRDA. Pension is a long-term financial product. Investments are done by Pension funds in such a way that the investments yield better returns in long term.

Government of India has taken a number of steps for streamlining NPS for Central Government employees. These include enhancement of Government's contribution from the earlier 10% of Pay + DA to 14% 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 for any period during 2004-2012, 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.

(c) The Pension Funds are monitored by PFRDA and are bound by the regulations to undergo periodic audits and inspections. In case of complaint against fund managers, the same is dealt with in terms of PFRDA's guidelines.

(d) & (e) The overall architecture of NPS is such that the benefits under NPS depend on the accumulated corpus of the subscriber at the time of Exit. To protect the interest of the subscribers, the Government in 2019, enhanced Government's contribution from the earlier 10% of Pay + DA to 14% 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 for any period during 2004-2012, 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.
