

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3970
ANSWERED ON:26.08.2011
EXPOSURE OF NPS FUND
Vinay Kumar Alias Vinnu Shri

Will the Minister of FINANCE be pleased to state:

- (a) whether all fund houses designated for operating the New Pension System (NPS) corpus, have exposure in high rated corporate bonds;
- (b) if so, the details thereof and if not, the reasons therefor;
- (c) the action taken/proposed to be taken by the Ministry to ensure exposure by the fund houses in good rating bonds to ensure safety to the investors;
- (d) whether the fund houses have handful of categories for investment of the corpus and if so, the details thereof;
- (e) the action taken to popularise the NPS among investors especially employees working in private sector; and
- (f) the action being taken to provide higher returns with moderate risk/ lower risk like other Pension Funds in the market by providing lots of choice of schemes to the fund houses for money to be invested?

Answer

The Minister of State in the Ministry of Finance (SHRI NAMO NARAIN MEENA)

(a) to (d): The funds of the subscribers under the New Pension System (NPS) are invested by the Pension Fund Managers appointed by Interim Pension Fund Regulatory and Development Authority (PFRDA) as per the approved investment pattern. The approved investment pattern lays down investment guidelines providing a menu of financial instruments where the funds under NPS could be invested. The investment guidelines, inter alia, stipulate that in the category of debt securities, at least 75% of the investment of the funds under NPS is made in instruments having an investment grade rating from at least one credit rating agency.

(e): In order to popularise NPS amongst the investors including employees working in private sector, PFRDA has in place a Financial Literacy programme to create investor awareness and create adequate publicity amongst the target groups. The programme includes:

(i) Setting up of a website (Pfrda.org.in)

(ii) Dedicated help desk with a toll free number, which helps disseminate information on NPS and responds to the queries of the prospective clients,

(iii) Print and media campaign to popularise the NPS.

(f): The investment guidelines for NPS for all citizens provide adequate flexibility in terms of a wide variety of financial instruments as well as freedom to actively manage the portfolio accordance to the risk-return trade-off.

Further, pension funds of the Government employees, who are covered by NPS, are managed by three fund managers, namely, SBI Pension Fund Ltd., LIC Pension Fund Ltd. and UTI Retirement Solutions Ltd. Each year the incremental fund flows are divided among them in proportion of the returns generated by them in the preceding year. Investments of such pension funds are made in accordance with the investment pattern notified by the Government.