

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:3983

ANSWERED ON:26.08.2011

DA RELIEF UNDER THE NPS

Nahata Smt. P. Jaya Prada;Shekhar Shri Neeraj;Singh Shri Yashvir

**Will the Minister of FINANCE be pleased to state:**

- (a) the manner in which pensioners under the New Pension Scheme(NPS) are proposed to be safeguarded from any inflationary trends;
- (b) whether under NPS, employees will be eligible for Dearness Allowance (DA) relief after retirement on the line similar to the dispensation under the current scheme; and
- (c) if not, the reasons therefor?

**Answer**

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

(a): New Pension System (NPS) is a defined contribution based pension system. These contributions are invested by the Pension Fund Managers appointed by Interim Pension Fund Regulatory and Development Authority (PFRDA) as per the approved investment pattern. Individuals can normally exit at or after age 60 years for tier-I of the pension system. At exit the individual would be mandatorily required to invest 40 percent of pension wealth to purchase an annuity (from a life insurance company regulated by the Insurance Regulatory and Development Authority). The individual would receive a lump-sum of the remaining pension wealth, which he would be free to utilise in any manner. Individuals would have to flexibility to leave the pension system prior to age 60. However, in this case, the mandatory annuitisation would be 80% of the pension wealth. In the current market for annuities in India, annuities indexed to inflation are not available.

(b): No, Sir.

(c): Dearness relief is available to Government employees who are covered under the defined benefit pension scheme. As mentioned in part (a), the NPS is a defined contribution scheme wherein the accumulated pension wealth is used for paying the lump sum payment of 60% to the individual subscriber and minimum 40% is used for purchase of annuity.