

# National Pension Scheme (NPS)

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**In news-**Various outfits are up in arms demanding scrapping the New Pension Scheme (NPS) and to revert to the Old Pension Scheme.

## **About National Pension System (NPS)-**

- The NPS or Contribution-based pension scheme called National Pension System (NPS) took effect on April 1, 2004.
- **It is a voluntary retirement savings scheme** laid out to allow the subscribers to make defined contributions towards planned savings.
- **NPS is now regulated under PFRDA Act, 2013** and regulation framed thereunder by Department of Financial Services and PFRDA .
- This pension programme is **open to employees from the public, private and even the unorganized sectors except those from the armed forces.**
- The scheme encourages people to invest in a pension account at regular intervals during the course of their employment.
- While the scheme was initially designed for government employees only, it was opened up for all citizens of India between the age of 18 and 65 in 2009, for OCI card holders and PIO's in October 2019.
- On 26 August 2021, PFRDA increased the entry age for the National Pension System (NPS) from 65 years to 70 years.
- As per the revised norms, any Indian Citizen, resident or non-resident and Overseas Citizen of India (OCI) between the age of 65–70 years can join NPS and continue or defer their NPS Account up to the age of 75 years.
- After retirement, the subscribers can take out a certain percentage of the corpus.

- As an NPS account holder, one will receive the remaining amount as a monthly pension post your retirement.
- The two primary account types under the NPS are tier I and tier II.

Particulars	NPS Tier-I Account	NPS Tier-II Account
Status	Default	Voluntary
Withdrawals	Not permitted	Permitted
Tax exemption	Up to Rs 2 lakh p.a.(Under 80C and 80CCD)	1.5 lakh for government employees Other employees-None
Minimum NPS contribution	Rs 500 or Rs 500 or Rs 1,000 p.a.	Rs 250
Maximum NPS contribution	No limit	No limit

- The Tier-I account is mandatory for everyone who opts for the NPS scheme.
- The Central Government employees have to contribute 10% of their basic salary. For everyone else, the NPS is a voluntary investment option.
- **Earlier, the NPS scheme covered only the Central Government employees (mandatory for all new recruits).**
- Now, however, the **PFRDA has made it open to all Indian citizens on a voluntary basis.**
- **The scheme is portable across jobs and locations,** with tax benefits under Section 80C and Section 80CCD.