

National Pension System (NPS) – FAQs

About NPS

1. What is NPS?

National Pension System (NPS) is a pension scheme initiated by Government of India to provide old age security and pension of all citizen of India. The Scheme is regulated by Pension Fund Regulatory and Development Authority (PFRDA).

2. Who can subscribe to Retail NPS?

Any individual, whether Indian resident or non-resident, can join the Scheme subject to the following conditions. As of now, Equitas Small Finance Bank has offered this scheme only to resident customers.

- You should be between 18 – 70 years of age as on the date of submission of your application
- You should comply with the prescribed Know Your Customer (KYC) norms as detailed in the Subscriber Registration Form for NPS

3. How does the Retail NPS Scheme work?

Upon joining the Scheme, a unique **Permanent Retirement Account Number (PRAN)** will be allotted to you (subscriber). On superannuation age or exit from the scheme, the Corpus is made available to you with the mandate that some portion of the Corpus must be invested in to Annuity to provide a monthly pension post retirement or exit from the scheme.

NPS Accounts

4. What are the different types of NPS Account?

There are 2 NPS Accounts - Tier I and Tier II.

Tier I NPS Account	Tier II NPS Account
<ul style="list-style-type: none">• It is also known as Pension Account• All investments for tax savings is deposited in this account only• Withdrawal from this account is restricted• Minimum annual contribution required for this account is Rs.1,000	<ul style="list-style-type: none">• It is known as investment account• There is no tax benefits on investment in this account• Withdrawal from this account can be done at any point of time as per your (subscriber's) need• Minimum annual contribution required for this account is Rs.250.

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5. Can I open more than one PRAN?

No. In the entire life span, an individual will be allowed to open only one PRAN.

6. Is it mandatory to open Tier II NPS Account at the time of opening Tier I NPS Account?

No. Tier II NPS Account is optional. You can open Tier – II NPS Account later on as well.

7. Can I open only Tier II NPS Account?

No. Active Tier – I NPS Account is a must criterion for opening Tier – II NPS Account. An individual cannot apply for only Tier – II NPS Account

Investment of Funds under NPS

8. How will the funds be invested under subscriber's NPS account?

NPS offers 4 funds to a subscriber - Equities (E), Corporate Bonds (C) Government Securities (G) and Alternate Investment (A).

NPS restricts investment towards Equities Funds to 75% of contribution amount for both Tier I and Tier II NPS Accounts. However, the subscriber can invest up to 100% in Corporate Bonds or Government Bank Fund.

Further, Investment in Alternate Funds is restricted to 5% of contribution amount. Alternate Funds option is available for Tier I NPS account only.

9. How does the investment happen across the four funds?

There are two investment options available under NPS:

- **Active Choice:** Under this option, subscriber can choose his / her own asset allocation across 4 funds (E, C, G and A). Maximum exposure to Equities and Alternate Investment Fund is restricted to 75% and 5% of Contribution amount respectively.
- **Auto Choice:** Under this option, investment in 3 funds (E, C and G) is done as per the age of the subscriber. It is also known as Life Cycle Fund Option.

10. Can I switch the funds?

Yes. You can exercise this option twice in a financial year.

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Tax benefits under Retail NPS

11. What are the tax benefits available to me for contribution under NPS?

Under NPS corporate model, you get the following tax benefits on contributions

NPS Account	Tax Benefit on investment	Tax Treatment on exit
Tier I	Investment up to Rs.50,000 is allowed as deduction u/s 80CCD (1B) of Income Tax Act, 1961	<ul style="list-style-type: none">• Amount withdrawn in lump sum is exempted from tax to the extent of 60% of total Corpus• Amount invested in Annuity is fully exempted from tax.• Pension received out of investment in Annuity is treated as income and will be taxed appropriately.
Tier II	<ul style="list-style-type: none">• No tax benefit	<ul style="list-style-type: none">• Capital gain tax will be applicable.

Partial Withdrawal from NPS Account

12. Is partial withdrawal allowed from Tier I NPS Account?

Yes. You can withdraw up to 25% of contribution in your Tier - I NPS Account after 3 years of Account opening. Additionally, you are allowed to withdraw from Tier I NPS account twice after first withdrawal.

Withdrawal is allowed from Contribution deposited by you to avail of tax benefit u/s 80CCD (1B).

13. What are the conditions of partial withdrawal?

Withdrawal from Tier - I NPS account would be permitted for specific purposes like Child's marriage, higher education, treatment of critical illnesses etc.

14. What process do I need to follow for withdrawal from Tier - II NPS Account?

You can initiate the request online using your login ID and Password provided by CRA to access NPS details.

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Exit from NPS (Closure of NPS account)

15. When can I exit from NPS?

You can exit from NPS after 10 years of account opening or attainment of superannuation age (retirement age) whichever is earlier.

16. How does the payout happen if I exit from NPS?

Primary objective of Tier – I NPS Account is to create a Corpus which can be used at the time of retirement to buy pension for the Subscriber / Nominee. Hence, there is a restriction imposed on lump sum amount accessible to Subscriber on exit as mentioned below

Exit before the age 60 years	Exit at Retirement age
<ul style="list-style-type: none">• Up to 20% of Corpus can be withdrawn in lump sum• Balance amount needs to be invested in Annuity• If the Corpus is less than or equal to Rs.2.5 lakh, there is no need to invest into Annuity. Entire amount can be withdrawn in lump sum	<ul style="list-style-type: none">• Up to 60% of Corpus can be withdrawn in lump sum• Balance amount needs to be invested in Annuity• If the Corpus is less than or equal to Rs.5 lakh, there is no need to invest into Annuity. Entire amount can be withdrawn in lump sum

17. Is it mandatory to withdraw the amount immediately at the time of exit from NPS?

In case of exit from NPS on retirement age, you can defer the withdrawal option until 10 years depending on the market condition. You can either withdraw this amount in lump sum or take the same in 10 installments before attaining the age 75 years.

However, in case of pre-mature exit from NPS (before attaining the age of 60 years), you do not have option to defer the option.

18. What happens to the funds if I opt to defer the withdrawal (after the retirement age)

The fund would continue to remain invested. The Pension Fund Manager, Scheme Preference and Asset Allocation Pattern will remain the same as these were at the time of vesting

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Investment in Annuity

19. In case I exit from Tier – I NPS Account before the age 60, at what age will the annuity start?

In case of pre-mature exit, you need to invest in Annuity immediately. Depending on the Annuity Plan you have invested in, annuity would start.

20. Can I change the annuity service provider?

No, this option is not available. At the time of investing in Annuity, you get an option to select any of the Annuity Service Providers registered with PFRDA. Once the choice is made and pension starts coming, there is no option of changing the Annuity Service Provider.

21. Can I use 100% of accumulated wealth to buy annuity plan?

Yes. You can use 100% of accumulated wealth to buy annuity plan

22. Can I defer Annuity investment?

Yes. On exit from NPS at superannuation age, you get an option to defer the investment in Annuity for 3 years. However, the same option is not available if you exit from the Scheme before the superannuation age.

23. What happens to the Corpus if I defer the investment in Annuity?

The amount remains invested and keeps on growing as per market condition.

24. In case of my death, what happens to the annuity plan bought by me?

It will depend on the kind of annuity plan opted by you. For example, if the annuity plan is a joint life annuity plan, on the death of the Subscriber, the spouse will get the annuity till he / she is alive

Death Proceedings

25. In case of death of the Subscriber, who can claim the corpus in Tier I and Tier II NPS Accounts of deceased?

In case of death of the Subscriber, option will be available to the nominee to receive 100% of the NPS pension wealth in lump sum. In case, nominee is not there, the legal heir to the Subscriber can claim the corpus

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26. Is the amount received in the hands of nominee taxable?

No. Death proceeds in the hands of Nominee will be tax free.

Contribution towards NPS

27. Do I need to deposit any minimum amount at the time of joining NPS?

For Tier I, the minimum amount at the time of account opening is Rs. 500/-. However, if you opt for Tier II account as well, you need to deposit Rs.1000/-plus GST at the time of Tier II NPS Account opening.

28. What is the minimum contribution amount for subsequent transaction for Tier I and Tier II NPS Account?

Minimum annual contribution requirement for Tier I and Tier II accounts are as mentioned below:

- i. Tier - I NPS Account: Rs.500
- ii. Tier - II NPS Account: Rs.250

29. Is there any restriction on frequency of contribution?

There is no restriction in terms of frequency of contribution. You have the option to make the contribution in any mode – monthly, quarterly, half-yearly or yearly.

Also, you can make an ad-hoc contribution as well.

30. Can I increase or decrease the contribution amount in subsequent years?

Yes, NPS offers this flexibility. You are allowed to alter the contribution amount as per the suitability. However, this is restricted to your own contribution. For Employer's contribution, this flexibility depends on Employer's policy.

31. Do I get any alert on credit of contribution amount to my NPS account?

Yes, once the contribution is credited to your NPS account, an email alert as well as a SMS alert is sent to the registered email ID and mobile number given by you

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Non fulfillment of required contribution criteria and implication

32. What happens if the minimum annual contribution of Rs.1000 is not invested in Tier - I NPS Account?

In case you fail to contribute minimum Rs.1000 in Tier - I NPS Account, the PRAN is frozen. Once the PRAN is frozen, you are not allowed to do any transaction (financial / non – financial) in both - Tier - I and Tier - II NPS Accounts.

33. What is the process of unfreezing the PRAN?

You can unfreeze the NPS Account by paying Rs.500 as minimum contribution amount and Rs.100 as penalty. POP charges to be added to it. You can deposit Contribution using eNPS platform as well.

34. What is the process of unfreezing the Tier II NPS Account?

You will need to deposit Rs.250 to the POP in order to unfreeze Tier II NPS Account.

Charges under NPS

35. What are the charges under NPS and how these charges are levied?

There are various intermediaries involved under NPS. The charge for these intermediaries is regulated by PFRDA. Below are the details of charges under NPS (exclusive of GST)

Intermediary	Charge Head	Charge#	Mode of Deduction
POP	Registration Charge	Rs.400	To be collected up front / deducted from contribution amount
	Contribution Processing Charge*	0.50%	
	Non – Financial Transaction Processing Charge	Rs.30	
CRA (KFintech)	Account Opening Charge	Rs.39.36	Through cancellation of Units
	Transaction Processing Charge	Rs.3.36	
	Annual Maintenance Charge	Rs.57.63	
PFM	Fund Management Charge	0.01%	Through NAV deduction
Custodian	Security Deposit Charge	0.0032%	

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NPS Trust**	Trust Management Charge	0.005%	
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*subject to minimum Rs.30 per PRAN per Transaction

**GST is not applicable on Trust Management Charge.

36. Do I need to pay POP charges over and above the contribution amount?

No, the POP charges would be deducted from the Contribution amount.

37. What is meant by Non – Financial Transaction?

Transactions like change of address, contact details etc are called non – financial transactions.

38. Can I change / modify data in the NPS system after joining NPS?

Yes. You need to submit the request along with the Service Charge of Rs. 20 plus GST for initiating the modification.

39. Can I request for a duplicate PRAN Card?

Yes. In case of loss or damage of PRAN Card, you can place the request for issuance of duplicate PRAN Card. Rs.50 plus applicable GST will be deducted by CRA for issuing duplicate PRAN Card.

40. Do I get any physical statement for NPS account?

Yes. An annual statement containing details of the unit holdings is issued by CRA to the Subscriber's registered address within 3 months of the end of every financial year.

41. How do I get its Statement of Transaction (SOT) on ad-hoc basis?

You can email on customerservice@equitasbank.com to obtain the account statement. You can also view / print the SOTs by logging into CRA website using the I-PIN