- It was established through the Pension Fund Regulatory & Development Authority Act, 2013.
- The PFRDA is ensuring the orderly growth and development of pension market.
- The Authority shall consist of a Chairperson and not more than six members, of whom at least three shall be whole time members, to be appointed by the Central Government.

What is NPS?

- National Pension System (NPS) is a voluntary pension cum investment scheme launched by Government of India to provide old age security.
- It is being administered and regulated by PFRDA set up under PFRDA Act, 2013.
- NPS can be broadly classified into two categories - Government Sector (Central and state governments) and private sector (Corporates and individuals).
- Both resident and Non-resident citizen of India in the age group of 18-65 years can join NPS, an NRI can also open an NPS account.
- NPS offers two types of accounts- Tier-I and Tier-II.
    - Tier-I account is the pension account having restricted withdrawals.
    - Tier-II is a voluntary account which offers liquidity of investments and withdrawals.
- Upon successful enrolment, a Permanent Retirement Account Number (PRAN) is allotted to the subscriber under NPS.
- Subscriber contributes periodically and regularly towards NPS during the working life to create the corpus for retirement.
- On retirement or exit from the scheme, the corpus is made available to the subscriber with the mandate that 40% of the corpus must be invested in to annuity to provide a monthly pension post retirement or exit from the scheme.

What is the PFRDA's plan?

- This will be the first scheme from the pension regulator that will offer a guaranteed return to investors by providing the savers and salaried class an option for their investments.
- The regulator has appointed EY Actuarial Services LLP as a consultant to help design the proposed MARS under the NPS.
- Only the floor is set in the proposed scheme, and the consultant is expected to work out the framework of MARS in the next couple of months.

What does the proposal say?

- **Returns-** The actual returns will depend on the market conditions.
- Any shortfall will be made good by the sponsor, and the surplus will be credited to the subscribers' account.
    - **Fixed guarantee option-** the guaranteed return is fixed along the accumulation phase.
    - **Floating guarantee option-** the guaranteed rate of return is not fixed along the savings phase.
- The floating guarantee depends on the development of the 1-year interest rate until retirement.
- **Lock-in-** It refers to the length of time during which you are not allowed to end a financial agreement.
- Lock-in may be applicable on each contribution, and will be applied based on the period since that contribution has been made.
- It may also consider multiple lock-in period for flexibility.
- The subscriber may have the option to withdraw or to stay invested after the lock-in period however, there won't be any guarantee applied on the investment after lock-in.
- **Contributions-** Minimum and maximum monetary limits on contributions may be prescribed.
- The attraction for investors will be the minimum guaranteed return.