

NATIONAL PENSION SCHEME (NPS) **AN ECONOMY NOT IN FAVOUR OF GOVERNMENT EMPLOYEES**

By K.V.RAMESH, Sr.JGS, IRTSA

On February 2017, total number of subscribers for NPS was 1.05 crores and asset under management (AUM) is Rs. 1.65 lakh crores. Central & State Government employees who constitute 48.5% of subscribers have the share of 88.3% in the value of AUM. All other sectors which constitute 51.5% of subscribers have the 11.7% share in AUM, underlines the significance of contribution of government employees for NPS. Details of number of subscribers, contribution and AUM are given in table below,

	No. of subscribers Cumulative upto 28.2.17	Total Contribution Rs. in crore	Assets under management Rs. in crore
Central Government	17,78,069 (17%)	47,398.04 (36.7%)	64,954.50 (39.1%)
State Government	32,94,685 (31.5%)	65,066.24 (50.4%)	81,582.61 (49.2%)
Corporate Sector	5,70,686 (5.5%)	11,968.44 (9.3%)	14,178.29 (8.5%)
Unorganized Sector	3,70,872 (3.5%)	2,570.89 (2%)	2,661.37 (1.6%)
NPS Swavalamban	44,37,603 (42.5%)	2,093.63 (1.6%)	2,606.97 (1.6%)
Total	1,04,51,915 (100%)	1,29,097.24 (100%)	1,65,983.74 (100%)

While the return from NPS is not an assured one, cost incurred to the NPS subscribers is significantly high, even though initial & annual charges seem to be negligible for individual subscribers. NPS charges nearly Rs.700 crores annually (for the year 2017) in addition to the initial cost of Rs.178 crores and every year the cost will increase exponentially. A contribution in NPS is being charged by CRA, POP, PFM and by custodian, Charges for Demat/Remat, receipt of shares & SEBI charges are extra. Service tax and other levies, as applicable, will be levied as per the existing tax laws. More than everything else lump sum withdrawal from NPS at any time is taxable. Various charges levied on NPS subscribers are given in table below,

Charges paid by NPS subscribers		1,04,51,915 Subscribers up to 28th Feb 2017	
Intermediary	Charge Head	Initial Cost Rs. in Cr	Annual cost Rs. in Cr
Central Record keeping Agency (CRA)			
Opening Charge	Rs.50	52.26	
Annual maintenance per account	Rs.190		198.59
Charge per transaction	Rs.4		50.17
Point of presence (POP)			
Initial registration & contribution upload	100 + 0.25% of contribution. Subject to Minimum Rs.20 Maximum Rs.25000	125.42	
Subsequent transaction	0.25% of contribution. Subject to Min Rs.20 & MaxRs.25000		20.90
Pension Fund Manager Charge (PFM)			
Investment management fee	0.25% per annum		414.96
Trustee Bank	Nil		
Custodian (Charges for Demat/Remat, Receipt of shares & SEBI charges are extra)	0.0075% p.a. For Electronic segment & 0.05% p.a. For Physical segment		12.45
	Total	177.68	697.07
Total charges paid by NPS subscribers upto 28th Feb 2017			874.75

The economy of NPS is not in favour of its subscribers, government employees, despite of large amount of money charged on them on various heads & taxes and hence

National Pension Scheme (NPS) for Government employees shall be abolished, since

1. It is discrimination against two set of employees.
2. Effective salary is less for NPS employees.
3. Uncertainty regarding actual value of pension.
4. No assurance of pension equal to 50% of last pay drawn
5. Lump sum withdrawal from NPS at any time is taxable.
6. No dearness allowance for neutralizing inflation.
7. No provision to avail refundable advances from available pension fund.