

F. No- FX-11/25/2020-PR Section

भारत सरकार  
वित्त मंत्रालय  
वित्तीय सेवाएं विभाग

द्वितीय तल, जीवन दीप भवन,  
संसद मार्ग, नई दिल्ली,  
09.02.2021

To

Shri Shiva Gopal Mishra,  
Secretary, National Council (Staff Side), JCM  
13-C, Ferozshah Road, New Delhi - 110001  
(email: nc.jcm.np@gmail.com)

Subject: Scrapping of National Pension System and extending coverage of the Old Pension Scheme under CCS (Pension) Rules, 1972 for appointees on or after 01.01.2004.

Sir,

Please refer to your representation No.NC/JCM/CS/NPS dated 28.09.2020 on the subject cited above.

2. In this connection, it is stated that due to the fiscal stress of the Old Defined Benefit Pension System, the Government of India decided to shift from the Old Pension Scheme to a Defined Contribution Pension Scheme, named as the National Pension System (NPS). NPS was made applicable for all the new entrants who joined Central Government service on or after 01.01.2004 (except the Armed forces). Subsequently, all State Governments excluding West Bengal have also switched to NPS for their employees.

3. NPS is a considered policy decision of the Central Government for its employees and balances providing old age income security to the employees with managing fiscal burden of the Government on account of pensions and other developmental needs. NPS is being administered and regulated by Pension Fund Regulatory and Development Authority (PFRDA) set up under PFRDA Act. It is understood that NPS is a market-linked product wherein returns are linked to market performance and hence cannot be guaranteed. In fact, the PFRDA Act expressly lays down that there shall be no implicit or explicit assurance of benefits. However, the investments of the accumulated corpus under NPS are made in a prudential manner so as to ensure optimal returns.

4. With reference to the comparison between pension under NPS and Old Pension Scheme (OPS), it is mentioned that both the schemes are different in nature, structure and benefit, and hence, may not be compared. The OPS is a defined pension scheme of Govt. of India, whereas NPS is a contributory pension scheme without any defined benefits. The pension benefits under NPS depends on various factors like amount of contribution, entry age, period of subscription, type of investment pattern opted by the subscriber, investment income accrued, percentage of total corpus utilized for Pension, Annuity option chosen and other relevant factors.

*Naveen  
Pl forward it  
to all members  
also keep it for discussion  
in 25th Feb MTG  
11/2/21*

contd.....

5. The Central Government, keeping in view of the concerns of NPS subscribers, had constituted a high level Committee of Secretaries for streamlining of NPS. Based on the recommendations, the Government has taken various steps for streamlining of NPS for Central Government employees.

6. As on 31.12.2020, there are 13.99 million subscribers and over Rs. 5,34,188 crore of assets under management (AUM) under the NPS. The government employees, including both Central and State Government, account for more than half of the subscriber base and nearly 85 percent of the AUM. With a growing corpus, prudent investment norms and recent measures of the Government to streamline the NPS, it is expected that NPS would provide a comparable and decent replacement rate vis-à-vis Old Pension Scheme.

7. Hope this addresses your concerns.

8. It is also reiterated that the restoration of Old Pension Scheme is not considered a feasible proposition in the current scenario.

Yours faithfully,



(Umesh Chandra)

Under Secretary (Pension Reforms)

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