
Govt to allow staff to invest 50 per cent of NPS corpus in equities



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Government employees who have 90% of assets under management under the National Pension System (NPS) will soon get a choice to invest up to 50% of their corpus in equities.

The Pension Fund Regulatory and Development Authority (PFRDA) is making the necessary changes in NPS rules, while also simultaneously building up investor awareness and market infrastructure, a senior official told FE.

“They (government employees) will also be allowed to pick up the pension fund managers of their choice, a move aimed at fostering competition in fund management and optimisation of returns,” said R V Verma, member (finance), PFRDA.

In the government sector, NPS contributions are equally split among the three selected pension fund managers (PFMs), who invest the money in a pre-decided manner with maximum equity exposure of 15%. Private sector subscribers are allowed to choose any PFM and could invest 50% in equity. “It (allowing 50% equity play to government employees) is under active consideration of the government,” said Verma.

The choice to invest more in equity will go hand-in-hand with the choice to select any PFM to government subscribers. This would lead to a more rational allocation of funds among PFMS and could ultimately end the monopoly of the three government sector PFMs (SBI Pension Funds Private, UTI Retirement Solutions and LIC Pension Fund).

The PFRDA is also enlarging information dissemination through various NPS stakeholders, undertaking capacity building across the segment and educating the subscribers.

The assets under management (AUM) of NPS, which was initially launched for government employees in 2004 and later extended to the private sector, has increased by 47% to `1.19 lakh crore at FY16-end from the year ago period. The number of subscribers rose by 40% to 1.22 crore during the period, partly helped by the additional `50,000 deduction allowed over and above `1.5 lakh under section 80C of the Income Tax Act.

While the compound annual growth rate (CAGR) returns for the subscribers under NPS since inception has been around 10%, it was about 7% in FY16 due to sharp decline in the stock market as well as fall in G-sec rates.

The Bajpai panel had recommended to bring parity in terms of both investment and choice-making between government and private sector subscribers of NPS.

NPS performance as on March 31, 2016

| | No. of subscribers | y-o-y chg (%) | Assests under management (₹ cr) | y-o-y chg (%) |
|--------------|--------------------|---------------|---------------------------------|---------------|
| Govt sector | 1,15,22,511 | 39 | 1,08,247 | 45 |
| Pvtsector | 6,88,887 | 50 | 10,563 | 68 |
| Total | 1,22,11,398 | 39.6 | 1,18,810 | 47 |