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Study Notes

PFRDA – Structure and Functions

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Pension Fund Regulatory and Development Authority (PFRDA)

- Pension Fund Regulatory and Development Authority** is the regulatory body under the jurisdiction of **Ministry of Finance**, Government of India for overall supervision and regulation of pension sector in India.
- On **23 August 2003**, Interim Pension Fund Regulatory & Development Authority (IPRDA) was established through a resolution by the Government of India to promote, develop and regulate pension sector in India based on the recommendations of the OASIS (Old age social and income security) report.
- Note** - The Ministry of Social Justice and Empowerment, Government of India had set up an expert committee in 1998 called “Project OASIS – Old Age Social and Income Security Project)” for devising a pension scheme for India. This committee was chaired by Dr. S.A. Dave. The report was submitted in January 2000 and paved the way for the National Pension Scheme on a defined contribution Pension basis.
- And this final system i.e., PFRDA – Pension Fund Regulatory and Development Authority was established with the President’s assent on **19 September 2013** and was made a permanent Act and the same was notified on 1st February, 2014
- The President of India is the guardian of the PFRDA subject to his Financial Emergency Powers and it has become fully autonomous from FY 2014-15.
- The headquarters of PFRDA is in **New Delhi**.
- Mr. Supratim Bandyopadhyay** is the current Chairperson of PFRDA (took office in February 2020 for a period of 5 years).
- Vision** - To be a model Regulator for promotion and development of an organized pension system to serve the old age income needs of people on a sustainable basis.
- PFRDA is regulating **National Pension Scheme (NPS)**, a voluntary, defined contribution retirement savings scheme, subscribed by employees of Govt. of India, State Governments and by employees of private institutions/organizations & unorganized sectors.



PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY

Functions of PFRDA

- To promote old age income security by establishing, developing and regulating pension funds
- To protect the interests of subscribers to schemes of pension funds
- To regulate NPS and pension schemes to which PFRDA Act applies
- To register and regulate intermediaries

- To approve schemes, terms and conditions, and laying down norms for management of corpus of pension funds
- To establish grievance redressal mechanism for subscribers
- To settle disputes among intermediaries and also between intermediaries and subscribers

Intermediaries of PFRDA

PFRDA is responsible for appointment of various intermediaries in the system such as *Central Record Keeping Agency (CRA)*, *Pension Fund Managers*, *Custodians*, *NPS Trustee Bank*, etc for the purpose of collection, management, recordkeeping and distribution of accumulations. Various intermediaries of PFRDA are as follows:

1. Central Recordkeeping Agencies (CRA)

- CRA is an agency registered under PFRDA to perform functions of record-keeping, accounting, administration, and customer service to Pension scheme subscribers.
- CRA is required to establish an internal system that delivers compliance with standards for internal organization and operational conduct, with the aim of protecting the interests of NPS subscribers and their assets.
- CRA acts as an operational interface between PFRDA and other NPS intermediaries
- There are **three CRAs** appointed by PFRDA for the specified functions- **Protean e-Gov Technologies Ltd** (formerly known as NSDL e-Governance Infrastructure Ltd. (**CRA1**), **KFin Technologies Pvt Ltd. (CRA2)** and **Computer Age Management Services Ltd (CAMS) (CRA3)**.
- In case of subscribers registered under Atal Pension Yojana and government sector employees, the CRA will be the option for the respective government. PFRDA has appointed NSDL e-Governance Infrastructure Limited as Central Recordkeeping Agency (CRA) for NPS - Lite. In case of private sector employee pension subscribers, an option is given to the employer to choose between either CRA1 or CRA2 and in case of non-employee voluntary subscribers, option to choose the CRA is with the subscribers themselves.

Functions of CRAs:

- ✓ Acting as an operational intermediary between PFRDA and other entities like Pension Funds, Trustee Bank etc.
- ✓ Issuing and dispatch of PRAN (Permanent Retirement Account Number) card, maintenance and digitization of PRAN database and record subscriber's related transactions.
- ✓ Overseeing the settlement of funds that have been invested and the subsequent units allotted to subscribers
- ✓ Provide centralised grievance management system

Note: The **PRAN or Permanent Retirement Account Number** is a unique 12 digit number that identifies those individuals who have registered themselves under the National Pension Scheme (NPS).

2. Pension Fund Managers (PFMs)

- Pension Fund is an intermediary which has been permitted with Certificate of Registration by the PFRDA. It is authorised to collect & receive contributions, invest them and pay the subscribers in a specified manner.
- The Pension Fund Regulatory and Development Authority (PFRDA), the regulator of the National Pension System (NPS), has doubled the minimum net worth criterion for pension fund managers to ₹50 crore from the ₹25 crore stipulated earlier since March 2020.
- At present, there are 10 pension fund managers in the country.
 1. Aditya Birla Sun Life Pension Management Limited.
 2. HDFC Pension Management Company Limited.
 3. UTI Retirement Solutions Limited.
 4. SBI Pension Funds Private Limited.
 5. ICICI Prudential Pension Funds Management Company Limited.
 6. Kotak Mahindra Pension Fund Limited.
 7. LIC Pension Fund.
 8. Tata Pension Management Ltd
 9. Max Life Pension Fund Management Ltd
 10. Axis Pension Fund Management Ltd
- **SBI Pension Fund, LIC Pension Fund, and UTI Retirement Solutions** are the only **pension fund managers of “Default scheme”** for government employees under NPS.
- Pension Funds for Government (other than ‘Default Scheme’) and for Private Sector, can be managed by any of the above 10 PFMs.

Note: Reliance Pension Fund registration was cancelled in Nov 2019.

- Primary **functions** of the pension fund are as below:
 - ✓ Collection of subscribers funds (subscribers who have given their choice of investment and subscribers who have chosen auto allocation of funds) from trustee bank for the purpose of investment
 - ✓ Establishing the investment and risk management committee for the subscribers.
 - ✓ Declaration of Scheme NAV (Net Asset Value) at the end of each working day and communicating to Central Record Keeping Agency (CRA) for unitization in subscriber’s Permanent Retirement Account Number (PRAN)
 - ✓ Keeping the NPS trust updated with regular reports of operational activities.
 - ✓ Maintain books and records of the investment and flow of funds and construction of portfolio of customers who choose auto-allocation of funds.

3. Point of Presence Agencies (PoPs)

- PoP is another intermediary registered under PFRDA and has electronic connectivity with the CRA for transfer and collection of funds, pay out of funds, and instructions.
- Functions of PoPs:
 - ✓ Verify KYC documents and provide subscribers' registration
 - ✓ Collection and upload subscribers' complaints and grievances from other intermediaries in CGMS of Central Record Keeping Agency, which routes the same to the concerned intermediaries.
 - ✓ Processing initial contribution during registration
 - ✓ Accepting contributions and remitting funds to the trustee bank.

4. Trustee Bank

- Trustee Bank refers to a bank which is responsible for the day-to-day flow of funds, providing banking services, receiving NPS funds from all nodal offices and remitting the same to intermediaries. PFRDA has appointed Axis Bank as the trustee bank from 1st July 2015.
- Trustee Bank performs the following functions:
 - ✓ Collect NPS funds from nodal offices received through online and physical mode.
 - ✓ Consolidates all the contribution records received through various collecting branches and prepares Fund Receipt Confirmation (FRC) file.
 - ✓ Prepares consolidated report with records of contributions made on daily basis
 - ✓ Diligent transfer of funds as per the instructions laid down by CRAs for transfer and collection of funds, pay out of funds, and instructions.

5. Custodian

- Stock Holding Corporation of India Limited is the custodian appointed by PFRDA.
- Functions of Custodian:
 - ✓ Hold the scheme securities in Demat a/c in the name of NPS Trust.
 - ✓ Undertaking activities as a Domestic Depository in terms of the Depositories Act, 1996 or as permitted by the Securities and Exchange Board of India.
 - ✓ Providing custodial services to Pension Funds managing the Schemes on behalf of NPS Trust.
 - ✓ Informing Pension Funds about corporate actions
 - ✓ Maintaining and reconciling records of the securities.
 - ✓ Additionally, provides valuation services to Pension Funds for computing Scheme NAV.

6. Aggregators

- NSDL has developed a NPS Lite//Swavalamban system on a low charge structure. The servicing model is of NPS Lite is based on group servicing. The people forming part of this low income groups will be represented through their organizations known as

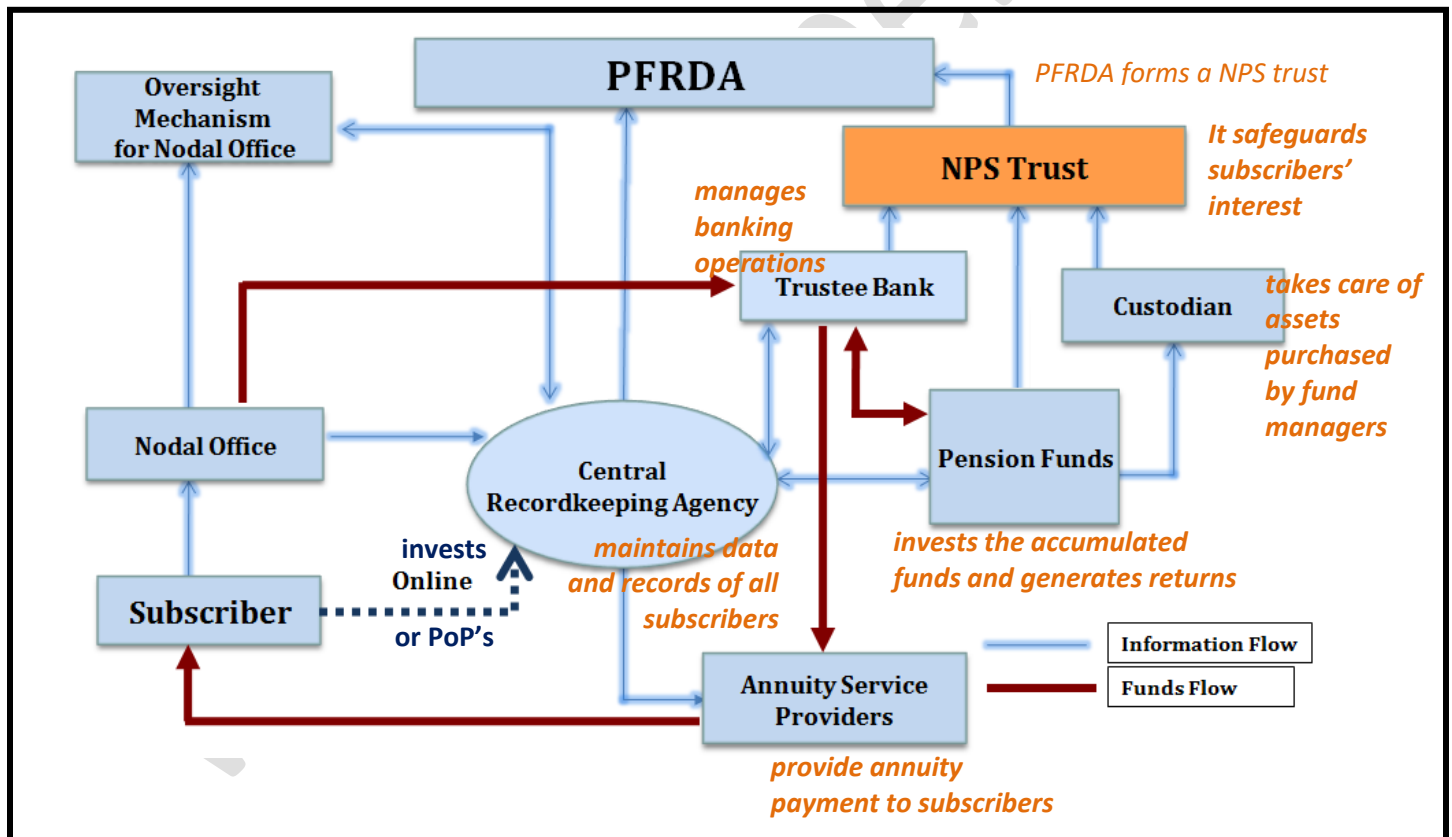
"Aggregators" who would facilitate in subscriber registration, transfer of pension contributions and subscriber maintenance functions. Subscribers in the age group of 18 to 60 can join NPS - Lite through the aggregator and contribute till the age of 60.

7. Annuity Service Provider (ASP)

- ASPs are entrusted with the task of providing annuity payments to subscribers at the time of exit/periodic annuity payment depending on the annuity contract opted by subscribers, addressing queries of potential subscribers with respect to purchase of annuities, facilitate subscriber registration for purchase of annuity, grievance redressal of subscribers who purchased annuity from it, etc.

Summary of registered intermediaries and their role

The roles of all the intermediaries in the NPS is summarised below:



Source: www.npstrust.org.in and ixambee team

Registered intermediaries with PFRDA

Intermediary	Registered entity name
Pension Fund Managers	Aditya Birla Sun Life Pension Management Limited, HDFC Pension Management Company Limited, UTI Retirement Solutions Limited, SBI Pension Funds Private Limited., ICICI Prudential Pension Funds Management Company Limited, Kotak Mahindra Pension Fund Limited, LIC Pension Fund, Tata Pension Management Ltd, Max Life Pension Fund Management Ltd, Axis Pension Fund Management Ltd
Trustee Bank	Axis Bank
Custodian	Deutsche Bank AG
Central Recordkeeping Agency (CRA)	Protean eGov Technologies Ltd (formerly NSDL e-Governance Infrastructure Ltd.), KFin Technologies Pvt Ltd and Computer Age Management Services Ltd (CAMS)
PoPs and Aggregators	Renowned Financial Institutions covering Public/Private Sector Banks, NBFC, etc.
Annuity Service Providers	13 Life insurance companies (LIC, HDFC Life, SBI Life, ICICI Pru Life, Star Union Dai-chi Life, Kotak Mahindra Life, IndiaFirst Life, Max Life, Canara HSBC Life, Bajaj Allianz Life, Tata AIA Life, Edelweiss Tokio Life, PNB Metlife)