

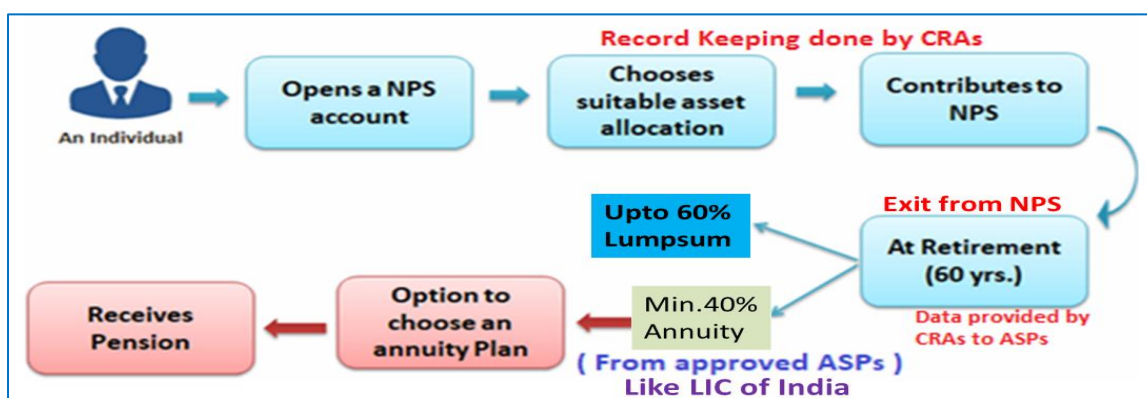
What is National Pension System (NPS) ?

National Pension System (NPS) is a defined-contribution pension system in India regulated by the Pension Fund Regulatory and Development Authority (PFRDA). NPS helps to inculcate a habit of saving for retirement amongst Indian citizens during their earning age. [<Read more>](#)

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National Pension System (NPS) is a defined-contribution pension system in India regulated by the Pension Fund Regulatory and Development Authority (PFRDA). NPS helps to inculcate a habit of saving for retirement amongst Indian citizens during their earning age. It facilitates NPS-subscribers to generate adequate & regular income after retirement by utilising the accumulated NPS-corpus for purchase of Annuity. The below diagram will simplify understanding the process-flow.



What is an Annuity under NPS?

Annuity refers to the regular income or monthly payment received from an annuity plan offered by the Life Insurance Corporation of India (LIC). Under the NPS, annuity provides a regular income to NPS-subscribers once they retire. The annuity amount depends on the NPS-corpus invested, the type of annuity option chosen and the prevailing Annuity rates. Individuals who subscribe to the NPS must utilise at least 40% (can invest full 100% also) of their accumulated corpus to purchase an annuity plan from LIC, empaneled by PFRDA as one of the Annuity Service Provider (ASP) for NPS. The Annuity policy of LIC will provide a steady source of income post-retirement.

How to Purchase Annuity from NPS-corpus?

Before purchasing an annuity plan from LIC, the subscriber must first exit from the NPS. An exit is defined as closure of the individual's pension saving account under the National Pension System. On successful exit from NPS, individuals can select LIC as their preferred ASP and get invested the NPS-corpus in LIC's approved annuity plan. Depending on the type of your exit from NPS, you have to annuitize a portion of the accumulated corpus for purchase of Annuity.

Approved Annuity Plan of LIC

PFRDA mandates issuance of an Immediate Annuity plan only by utilising the subscriber's NPS-corpus. LIC's Jeevan Akshay VII (Plan-857) is the approved Annuity plan for NPS. Under this plan, the Annuity payment disbursement commences as early as from the very next month.

Annuity options from LIC

LIC's Jeevan Akshay Plan offers following ten Annuity options to meet varied needs of the NPS-subscribers :

1. Annuity/ pension payable for lifetime at a uniform rate.
2. Annuity payable for 5 years certain and thereafter as long as the annuitant is alive.
3. Annuity payable for 10 years certain and thereafter as long as the annuitant is alive.
4. Annuity payable for 15 years certain and thereafter as long as the annuitant is alive.
5. Annuity payable for 20 years certain and thereafter as long as the annuitant is alive.
6. Annuity for life with return of purchase price on death of the annuitant.
7. Annuity payable for life increasing at a simple rate of 3% p.a.
8. Annuity for life with a provision of 50% of the annuity payable to spouse during his/her lifetime on death of the annuitant.
9. Annuity for life with a provision of 100% of the annuity payable to spouse during his/her lifetime on death of the annuitant.
10. Annuity for life with a provision of 100% of the annuity payable to spouse during his/ her life time on death of annuitant. The purchase price will be returned on the death of last survivor.

Different Exit Types Under NPS

There are following three types of exits under NPS:

1) **Superannuation Exit** : On reaching 60 years or superannuation age, at least 40% of the accumulated corpus is to be converted into annuity. The balance amount of maximum 60% is paid in lump sum to subscriber. In case total accumulated corpus is \leq 5 lacs, subscriber can opt for 100% withdrawal.

2) **Premature Exit** : Before reaching 60 years or superannuation age, minimum 80% of the accumulated corpus is to be converted into annuity. The balance amount of maximum 20% is paid in

lump sum to subscriber. In case total accumulated corpus is ≤ 2.5 lacs, subscriber can opt for 100% withdrawal. However, non-government subscribers can exit the NPS only after completing 10 years in NPS.

3) Exit Due to Death : In case of death of subscriber, minimum 80% of accumulated pension corpus is to be converted into annuity in the name of the subscriber's spouse, if any, and then to dependent mother and then to dependent father of the subscriber. The balance is paid as lump sum to the nominee or legal heir. In case total accumulated corpus is ≤ 5 lacs, nominee/legal heir can opt for 100% withdrawal. If none of the family members of the deceased subscriber (spouse, if any, mother, and father) are alive, then NPS corpus meant for issue of annuity shall be returned to the surviving children of the subscriber. In absence of children, the legal heirs of the subscriber as may be applicable.

In case of non-Government /Individual subscribers, the nominee/legal heir of the deceased subscriber while applying for withdrawal of benefits on NPS account of deceased subscriber. If the nominee/legal heir wishes to opt for annuity, they are required to select the Annuity Service Provider (ASP) and annuity scheme in the Death Withdrawal Form.

What are the Pre-Requisites for NPS Exit?

Subscribers must ensure the following before initiating an online NPS-Exit request:

1. Claim ID which is generated by CRA-system must be available for the PRAN. Withdrawal request cannot be raised without generation of Claim ID.
2. PRAN is FATCA Compliant and subscriber details (such as PAN, address, contact details, bank details, nomination details etc.) are updated in NPS account. If required, the subscriber can update these details online on the CRA-system or by submitting physical request to a POP.
3. The subscriber must submit the withdrawal request using OTP authentication/eSign using Aadhaar. Hence, valid mobile number and email ID of the subscriber should be registered in CRA to receive OTP as part of OTP authentication.
4. Subscribers must update their demographic details (Like address, bank account etc.) before initiating NPS-Exit.

NPS-Exit : Online Withdrawal Process

1. Online Withdrawal request can be initiated by the subscriber himself/herself.
2. Subscriber can initiate online withdrawal request in CRAs system by logging in with PRAN as User ID & their password :
 - (i) CRA-Protean (NSDL) : <https://www.cra-nsdl.com/CRA/>
 - (ii) CRA-Kfintech : <https://nps.kfintech.com/login/login/>
 - (iii) CRA-CAMS : <https://www.camsnps.com/>

3. Subscriber will select the “Exit from NPS” Menu option. The registered details of the subscriber, such as PRAN, contact details, bank details, nominee details etc. will be auto-populated. All these details (except nominee details) will be non-editable.
4. Subscriber needs to capture details such as lump sum withdrawal percentage, annuity percentage, Annuity Service Provider, annuity scheme, etc.
5. Subscriber will mandatorily upload the scanned copies of all the relevant documents such as KYC Documents (Identity & Address Proof), copy of PAN and copy of PRAN card/ePRAN, bank account proof etc.
6. Subscriber is required to submit the request using OTP authentication/eSign. In case of OTP authentication, two distinct One-Time Passwords (OTPs) will be sent on the mobile number and email ID registered in the CRA system. Whereas in case of eSign, the OTP will be sent on the mobile number registered with Aadhaar.
7. Request needs to be verified and authorised in the CRA system by the associated Point of Presence (POP) / Nodal office.
8. On successful authorisation of the request by the POP/Nodal-office, the NPS-Exit request will get executed in the CRA system.

Annuity in NPS – salient points

Here are some of the salient points related to annuity under which NPS-subscribers should know :

1. You can choose the frequency of Annuity payouts, such as Annually / Half-yearly / Quarterly / Monthly.
2. The annuity amount depends on the purchase price, prevailing Annuity rates and type of Annuity option selected.
3. Individuals can select between single life annuity or joint life annuity. With a joint life annuity plan, their spouse continues to receive the annuity if anything happens to the primary Annuitant.
4. The Annuity income is taxable as per prevailing tax laws.
5. Tax rebate/deductions may be claimed under Section 80C against investments made towards the plan.
6. Annuity amount will be credited online to individual's bank account through NEFT/RTGS.
7. Whenever asked, Annuitants can conveniently submit their life-certificate online through LIC-Digital app (Jeevan Saakshya)

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