



Bill Summary

The Pension Fund Regulatory and Development Authority Bill, 2011

- The Pension Fund Regulatory and Development Authority Bill, 2011 was introduced in the Lok Sabha on March 24, 2011 by the Minister of Finance, Shri Pranab Mukherjee.
- The central government had set up an Interim Pension Fund Regulatory and Development Authority (PFRDA) in 2003. The Bill gives statutory status to this body. It also renames the New Pension System as the National Pension System (NPS).
- The members of the PFRDA will include a Chairperson, three whole time members and three part time members. Each of the members shall hold office for a term of five years.
- The Act will apply to the NPS and any other pension scheme not regulated by any other law. It will not apply to (a) Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948; (b) Employees' Provident Fund and Miscellaneous Provisions Act, 1957; (c) Seamen's Provident Fund Act, 1966; (d) Assam Tea Plantations Provident Fund and Pension Fund Scheme Act, 1955; (e) Jammu and Kashmir Employees' Provident Funds Act, 1961 and (f) any other scheme exempt from this Act.
- The PFRDA shall perform promotional, developmental and regulatory functions relating to pension funds through regulations or guidelines. Some of these functions include: (a) regulating the NPS; (b) educating the subscribers and the general public on issues relating to pension, and training of intermediaries; (c) adjudicating disputes between intermediaries as well as between intermediaries and subscribers; and (d) establishing mechanisms for grievance redressal of the subscribers.
- The main features of the NPS include:
 - Every subscriber will have an individual pension account;
 - This account shall be portable in case of change of employment;
 - The subscriber may choose the allocation of his funds across various pension schemes;
 - The amount in the pension account is divided into two tiers. Withdrawals from Tier 1 are not permitted unless it is prescribed by the regulator;
 - On attaining the maturity, a minimum amount has to be invested as annuity.
- The NPS comprises three main entities: (a) the Central Recordkeeping Agency (CRA); (b) Pension Fund Managers (PFM); and (c) Point of Presence agencies (PoPs). The CRA shall maintain record, accounts and effect all instructions regarding subscription, switching of options and withdrawals by the subscriber. The PFM shall provide a set of schemes with varying risk-return profiles and manage the assets of the subscribers. The PoPs shall receive instructions and contributions from the subscribers, transmit these to the CRA, and pay out benefits to the subscribers.
- The PFRDA will also have the power to investigate if the activities of the fund are not conducted in the interest of the subscribers or if any intermediary or other persons associated with the scheme violate the regulations and directions of the Authority.
- The Bill empowers the PFRDA to impose penalties and fines for any violation of the provisions of the legislation, rules and regulations. The money collected from the penalties will be credited to the Subscriber Education and Protection Fund.
- Any person aggrieved by the PFRDA may appeal to the Securities Appellate Tribunal (SAT), established under the SEBI Act, 1992, which shall have jurisdiction over the matter. Any person further aggrieved by the decision of the SAT can appeal to the Supreme Court within 60 days from the communication of the decision of the SAT.
- The Bill specifies that no pension fund will invest directly or indirectly the funds of the subscribers outside India.

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