

## **Atal Pension Yojana (APY) – Scheme Details**

The Government of India is extremely concerned about the old age income security of the working poor and is focused on encouraging and enabling them to join the National Pension System (NPS). To address the longevity risks among the workers in unorganised sector and to encourage the workers in unorganised sector to voluntarily save for their retirement, who constitute 88% of the total labour force of 47.29 crore as per the 66th Round of NSSO Survey of 2011-12, but do not have any formal pension provision, the Government had started the Swavalamban Scheme in 2010-11. However, coverage under Swavalamban Scheme is inadequate mainly due to lack of guaranteed pension benefits at the age of 60 therefore, announced a new initiative called Atal Pension Yojana with guaranteed pension benefits. The new scheme is scheduled for launch on 1<sup>st</sup> June 2015. The Scheme is designed to convert the pension less society into pensioned society.

2. The APY will be applicable on all citizens of the country in the unorganised sector and the scheme is administered by the Pension Fund Regulatory and Development Authority (PFRDA) through NPS. An income tax payer or who is covered under statutory social security schemes can also join APY but those subscribers will not be eligible for GoI co-contribution.

3. The Statutory Social Security Schemes not eligible for receiving Government Co-contribution under APY are as mentioned below:

- Employees' Provident Fund and Miscellaneous Provisions Act, 1952
- The Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948
- The Seamen's Provident Fund Act, 1966
- The Assam Tea Plantations Provident Fund and Pension Fund Scheme Act, 1955
- The Jammu and Kashmir Employees' Provident Fund Act, 1961.

4. Under the APY, subscribers would receive a fixed monthly pension of Rs. 1000 , Rs. 2000, Rs. 3000 , Rs. 4000 , Rs. 5000 at the age of 60 years, depending on their contributions, which itself would vary according to the age of joining the scheme. The minimum age of joining APY is 18 years and maximum age is 40 years. Therefore, minimum period of contribution by any subscriber under APY would be 20 years or more.

5. The APY will be applicable to all persons in the unorganised sector, who are not a part of any statutory social security schemes, subject to the condition that the benefit of Central Government Co-Contribution of 50 % of the subscriber contribution or Rs 1000 per annum, whichever is less, would be available to the subscribers for a period of 5 years, i.e from 2015-16 to 2019-20, who joins the NPS before 31<sup>st</sup> December, 2015 and who are not income tax payers. The existing Swavalamban subscriber, if eligible, may be automatically migrated to APY with an option to opt out. However, the benefit of five years of government Co-contribution under APY would not exceed 5 years for all subscribers. This would imply that if, as a Swavalamban beneficiary, he has received the benefit of government Co-Contribution of 1 year, then the Government co-contribution under APY would be available only 4 years and so on. Existing Swavalamban beneficiaries opting out from the proposed APY will be given Government co-contribution till 2016-17, if eligible, and the NPS Swavalamban continued till such people attained the age of exit under that scheme.

6. The existing Swavalamban subscribers between 18-40 years will be automatically migrated to APY. For seamless migration to the new scheme, the associated aggregator will facilitate those subscribers for completing the process of migration. Those subscribers may also approach the nearest authorised bank branch for shifting their Swavalamban account into APY with PRAN details.

7. The Swavalamban subscribers who are beyond the age of 40 and do not wish to continue may opt out the Swavalamban scheme by complete withdrawal of entire amount in lump sum, or may prefer to continue till 60 years to be eligible for annuities there under.

8. The prospective subscribers wish to join the scheme will have option to join the NPS as an individual as per the existing arrangements through Point of Presence (PoP) or through Aggregator, the applicant should have Aadhar and valid mobile number. Aadhar and mobile numbers are pre requisites for becoming part of APY. The prospective subscribers may also join the scheme without Aadhar but it should be submitted subsequently.

9. For joining the scheme, the prospective applicant should have a bank account or open an account. The bank account is to have facility of auto debit for enabling standing instructions to transfer the contributions on periodical basis, this will lead to reduction in contribution collection charges. The subscribers should keep the required balance in their savings bank accounts on the stipulated due dates to avoid any late payment penalty. Due dates for monthly contribution payment is arrived based on the deposit of first contribution amount. In case of repeated defaults for specified period, the account is liable for foreclosure and the Govt co-contributions, if any shall be forfeited. Also any false declaration about his/her eligibility for benefits under this scheme for whatsoever reason, the entire government contribution shall be forfeited along with the penal interest.

10. Under APY, the individual subscribers shall have an option to make the contribution on a monthly basis. Banks are required to collect additional amount for delayed payments, such amount will vary from minimum Re 1 per month to Rs 10/- per month as shown below:

- i. Re. 1 per month for contribution upto Rs. 100 per month.
- ii. Re. 2 per month for contribution upto Rs. 101 to 500/- per month.
- iii. Re 5 per month for contribution between Rs 501/- to 1000/- per month.
- iv. Rs 10 per month for contribution beyond Rs 1001/- per month.

The fixed amount of interest/penalty will remain as part of the pension corpus of the subscriber.

Operation of additional amount for delayed payments:

- APY module will raise demand on the due date and continue to raise demand till the amount is recovered from the subscriber's account.
- The due date for recovery of monthly contribution may be treated as the first day /or any other day during the calendar month for each subscriber. Bank can recover amount any day till the last day of the month. It will imply that contribution are recovered as and when funds are available any point during the month.
- Monthly contribution will be recovered on FIFO basis- earliest due instalment will recovered first along with the fixed amount of charges as mentioned above.
- More than one monthly contribution can be recovered in month subject to availability of the funds. Monthly contribution will be recovered along with the monthly fixed due amount, if any. In all cases, the contribution to be recovered along with the fixed charges. This will be banks' internal process. The due amount will be recovered as an when funds are available in the account.

11. The banks should ensure transfer the accumulated contributions under APY on the second day to the Trustee Bank which will in turn transfer the amount for further investment as per existing PFRDA regulations applicable for Trustee Bank.

12. All bank branches of Public/Private under CBS will be sourcing APY accounts and the banks will be adequately compensated for mobilization of eligible accounts as an incentive.

13. The banks may employ BCs/Existing non - banking aggregators, micro insurance agents, and mutual fund agents as enablers for operational activities. The banks may share the incentives received by them from PFRDA/Gol as deemed appropriate.

14. The subscribers shall submit the required application to the bank for enrolling under APY along with the required monthly contribution amount for the monthly guaranteed pension which is opted for.

15. The subscribers of APY, if they subsequently become part of any social statutory schemes, should inform the bank and opt out of the scheme with immediate effect. Those subscribers may also transfer APY account into other variants of NPS as per terms/conditions stipulated for the respective scheme. If they have decided to exit from the scheme, the Govt co-contribution shall be forfeited and own contribution will be refunded.

16. The amount collected under APY are managed by Pension Funds appointed by PFRDA as per the investment pattern specified by Govt. The subscriber has no option to choose either the investment pattern or Pension Fund.

17. APY scheme provides guaranteed pension for the subscriber and to the spouse with return of corpus to the nominees. Hence, the spouse details and nominee details are to be captured while sourcing the accounts, or to be updated as per requirement, along with their Aadhar to obviate any dispute regarding pension entitlements.

18. The subscribers are required to opt for a pension from Rs 1000- Rs5000 as per the chart and ensure payment of stipulated monthly contribution regularly. The subscribers can opt to decrease or increase pension amount during the course of accumulation phase. However, the switching option shall be provided once in year during the month of April.

19. Detailed APY contribution chart for different age level shall be supplied by PFRDA to all the banks for reference.

20. Each subscriber will be provided with an acknowledgement slip after joining APY which would invariably record the guaranteed pension amount, due date of contribution payment, PRAN etc. In case of defaulted payment for a month, the overdue amount will be recovered

in the subsequent months along with penalty. For any gap in contribution subscriber can rejoin only with the pending contribution and the penal rate of interest /penalty.

21. Upon completion of 60 years, the subscribers will submit the request to the associated bank for drawing the guaranteed pension.

22. APY accounts opened from 1/6/2015 – 31/12/2015 are eligible for Govt co-contribution at the rate of 50% of the subscriber contribution amount with a cap of Rs 1000 per annum..However the scheme will continue after this date but Govt. Co-contribution will not be available. The Govt co-contribution is payable to eligible PRANs by PFRDA after receiving the confirmation from Central Record Keeping Agency at such periodicity as may be decided by PFRDA.

23. Periodical information to the subscribers regarding balance in the account, contribution credits etc. will be intimated to APY subscribers by way of SMS alerts. The subscribers will have the option to change the non – financial details like nominee's name, address, phone number etc whenever required.

24. All subscribers under APY remain connected on their mobile so that timely SMS alerts can be provided to them at the time of making their subscription, auto-debit of their accounts and the balance in their accounts.

25. All banks to be registered with PFRDA and all their branches to act as the Points of Presence/collection directly from the subscribers or indirectly through the BCs including the NBFCs, MFIs and individuals to be appointed as BCs by the banks.

26. Banks will have the choice of uploading the data/information from individual branches or from their nodal centres depending on the nature of connectivity with the CRA with due regard to ease of operations.

27. Since APY is based on defined benefits, the Government co-contribution under APY, the gap funding incase of any deficit in the pension corpus of subscriber in granting fixed pension and promotional and development expenditure will be funded by grants from Government of India. Actuarial valuation shall be conducted on every 2-3 year to arrive at any gap may be fully provided for.

28. PFRDA may permit members of an existing non statutory social security scheme to migrate to NPS under such terms and condition as may be approved by the Government.

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