

National Pension System (NPS)

Important initiatives for Central Government employees covered under NPS:

A New Pension Scheme (Contribution based Pension Scheme) now called National Pension System (NPS), was introduced for Central Government employees vide Ministry of Finance (Department of Economic Affairs) Notification No. 5/7/2003-ECB & PR dated 22nd December, 2003. NPS was made mandatory for all new recruits to the Central Government service (except the armed forces) from 1st January, 2004.

After the enactment of the PFRDA Act, 2013, as per Section 20 of the Act, the pension scheme notified on 22.12.2003 has become the National Pension System under the Act. NPS is now regulated under PFRDA Act, 2013 and regulation framed thereunder by Department of Financial Services and PFRDA

With the introduction of NPS w.e.f. 01.01.2004, amendments were made on 30.12.2003 to Central Civil Services (Pension) Rules, 1972, Central Civil Service (Commutation of Pension) Rules, Central Civil Services (Extraordinary Pension) Rules, General Provident Fund Rules and Contributory Provident Fund Rules to the effect that the benefits under these rules would not be applicable to the Government employees appointed on or after 1.1.2004 and covered by NPS.

(A) Initiatives by Department of Pension and Pensioners' Welfare:

- Department of Pension and Pensioners' Welfare [O.M. No. 38/41/06-P&PW\(A\) dated 05.05.2009-](#) Benefits under CCS(Pension) Rules, 1972 or CCS(Extraordinary Pension) Rules, 1939 were extended to the Central Government employees covered under NPS vide Department of Pension and Pensioners' Welfare O.M. dated 05.05.2009 in the event of in service death of Government servant or his discharge from Government service on account of invalidation or disablement.

Government servant can submit his option in this regard. In the case Government servant avails the benefits under the old pension scheme in the event of in service death or discharge from service on invalidation or disablement, the Government contribution and returns thereon in the accumulated pension fund of the Government servant under NPS would be surrendered into the Government account and employees contribution with return thereon would be returned to the Government servant or his family.

- Department of Pension and Pensioners' Welfare [O.M. No. 7/5/2012-P&PW\(F/B\) dated 26.08.2016](#)- The benefit of retirement gratuity and death gratuity have been extended to the Central Government employees covered under NPS vide DoPPW O.M. dated 26.08.2016 on the same terms and conditions as are applicable under CCS(Pension) Rules, 1972.
- DoPPW [O.M. No.7/5/2012-P&PW\(F/B\) dated 12.02.2020](#) has been issued for providing instructions regarding counting of service for the purpose of grant of gratuity or grant of pro-rata gratuity in case of mobility of a Central Government employee to other organizations through proper channel.
- DoPPW OMs. No. 28/30/2004-P&PW(B) [dated 26.07.2005](#) and [28.10.2009](#)- Instructions were issued by DoPPW vide OMs dated 26.07.2005 for counting of past service rendered in a Government service or service of an autonomous body having CCS(Pension) Rules and appointed on or before 31.12.2003 on mobility to Central Government service / service of an autonomous body on or after 01.01.2004 after submitting technical resignation from previous service to provide for the continuance of pensionary benefits based on combined service in accordance with CCS (Pension) Rules, 1972.

DoPPW OM dated 26.07.2005 was further modified vide OM dated 28.10.2009 allowing counting of past service rendered by an employee in Central Government / State Government / autonomous body under CCS(Pension) Rules or other pension scheme similar to CCS(Pension) Rules who was appointed prior to 01.01.2004 and moved to Central Government service on or after 01.01.2004 after tendering technical resignation from previous service for the purpose of their continuation under old pension scheme.

- DoPPW [OM No. 1/3/2019-P&PW\(E\) dated 01.01.2021](#)- Instructions have been issued vide DoPPW OM dated 01.01.2021 that if a Government employee appointed on or after 01.01.2004 and covered under NPS is disabled, he shall also be eligible to receive a lump sum compensation computed in terms of rule 9(3) of CCS(Extraordinary Pension) Rules, if the disablement is attributable to Government service

and the Government employee is retained in service in spite of such disablement.

- DoPPW [OM No. 57/4/2019-P&PW\(B\) dated 17.02.2020](#) - An OM dated 17.02.2020 has been issued by Department of Pension and Pensioners' Welfare providing that in all cases where the results for recruitment were declared before 01.01.2004 against vacancies occurring on or before 31.12.2003, the candidates declared successful for recruitment shall be eligible for coverage under the Central Civil Services (Pension) Rules, 1972. Accordingly, such Government servants who were declared successful for recruitment in the results declared on or before 31.12.2003 against vacancies occurring before 01.01.2004 and covered under the National Pension System on joining service on or after 01.01.2004, may be given a one-time option to be covered under the Central Civil Services (Pension) Rules, 1972.
- [CCS \(Implementation of National Pension System \) Rules, 2021](#) were notified on 30.03.2021 for regulating service related matters for Central Government employees covered under NPS.

(B) Initiatives by Department of Financial Services:

- National Pension System (NPS) was introduced for Central Government employees vide Ministry of Finance (Department of Economic Affairs) Notification No. 5/7/2003-ECB & PR dated 22nd December, 2003. NPS is now regulated under PFRDA Act, 2013 and regulation framed thereunder by Department of Financial Services and PFRDA.
- Under the NPS, every Government servant is registered and allotted a Permanent Retirement Account Number (PRAN). Before 1.4.2019, a Government employee had to mandatorily contribute 10% of pay and Dearness Allowance (DA) and an equal amount of 10% was contributed by the Government to the employee's pension fund.
- The contribution made by the employees and contribution from the Government are invested by Pension Fund Managers in accordance with the investment pattern prescribed by the PFRDA for Central Government employees. There were three PSU Pension Fund Managers for Government employees. Government employees had no choice for Pension Fund Managers or investment pattern.

- On exit from NPS on superannuation, an individual is mandatorily required to invest at least 40% of the accumulated pension corpus in Tier-I to purchase an annuity from an Annuity Service Provider an Insurance Regulatory and Development Authority (IRDA) regulated Insurance Company registered with PFRDA and a maximum of 60% of the accumulated corpus in the Tier –I account is given to the individual in lump-sum. If the Government servant exits from NPS before superannuation (i.e. before 60 years of age), he/ she has to invest at least 80% of the accumulated balance to purchase an annuity and the remaining 20% can be withdrawn as lump sum.
- Department of Financial Services [notification dated 31.01.2019](#) – In implementation of the recommendations of the committee constituted for suggesting measures for streamlining implementation of NPS, Department of Financial Services vide their notification dated extended following benefits to Government employees covered under NPS:
 - (i) Employee contribution 10% of the salary and DA with matching contribution @ 14% by the Government w.e.f. 01.04.2019.
 - (ii) Investment of NPS wealth upto 95% in infrastructure/Debt funds and 5-15% in equity for Government employees. Life Cycle based funds viz. LC-50 and LC-25 also available w.e.f. 01.04.2019.
 - (iii) Option for investment choices and Pension Fund made available to Government servants w.e.f. 01.04.2019.
 - (iv) Investment in NPS Tier II has been brought under Section 80 C for tax exemption w.e.f. 01.04.2019.

(C) Initiatives by Department of Personal and Training :

- DOPT [OM No. No. 28020/1/2010-Estt.\(C\) dated 17/08/2016](#) – Department of Personal and Training have issued consolidated guidelines on technical resignation and lien for Government employees covered under NPS. Instruction contained in the OM are related to carry forward of leave and LTC, Pay protection, seniority, retention of Lien, Joining Time, Travelling Allowance, transfer of service book etc. on mobility to other organization after technical resignation from previous organization.
- DOPT [OM 28035/2/2014-Estt.\(A\) dated 10/06/2019](#) - Instructions were issued by Department of Personal and Training on withdrawal of

resignation of Central Government servants appointed after 31.12.2003 covered under the National Pension System (NPS).

(D) Initiatives by Ministry of Health and Family Welfare:

- Ministry of Health and Family Welfare [OM No. S.11011/10/2012-CGHS \(P\)/EHS dated 28.03.2017](#) – Ministry of Health and Family Welfare issues instruction on extending benefit of CGHS to Government employees covered under NPS subject to following conditions:
 - (i) Minimum years of qualifying service for eligibility of CGHS membership after retirement- 10 years.
 - (ii) No minimum qualifying years of service for availing CGHS facilities in case of. death/disability.
 - (iii) Other conditions such as definition of family, CGHS contributions, conditions of dependency etc will be applicable as per existing rules.

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