

## NPS –TIER-II Account

The NPS was launched on 1<sup>st</sup> May 2009 for all citizens on India. The offer document issued at the launch of NPS mentioned that under NPS two types of account would be available to the subscribers viz., Tier-I account-where you contribute your savings for retirement into a non-withdrawable account, and a Tier-II account –a voluntary savings account form which you are free to withdraw your savings whenever you wish.

2. While the Tier I account was made available from May 1, 2009, the facility of Tier II account is being offered from December 1, 2009 to all citizens of India including Government employees mandatorily covered by NPS. The salient features of Tier II account are given in the following paragraphs.

3. Unlike Tier I which is a non-withdrawable pension account with an aim to provide a window of liquidity to NPS subscribers. Both tier I (Pension Account) and Tier II (Savings Account) will be pure retirement savings products, the only distinction being that Tier I is a non-withdrawable account while Tier-II is a withdrawable account to meet financial contingencies.

4. The Tier-II would enable the existing Permanent Retirement Account (PRA) holders to build savings through investments over and above those in the Tier I pension account. **An active Tier I account will be a pre-requisite for opening of a Tier II account.**

### Key features of Tier-II account

- No additional CRA charges will be levied for account opening and annual maintenance in respect of Tier II. However, CRA will charge separately for each transaction in Tier II, the charges being identical to the transaction charge structure in Tier I.
- There will be no limits on number of withdrawals.
- There will be facility for separate nomination and scheme preference in Tier II.
- The subscriber would have the same choice of PFMs and schemes as in the case of Tier I account in the unorganized sector.
- Contributions can be made through any POP/POP-SP.
- There will be facility of one-way transfer of savings from Tier II to Tier I.
- Bank details will be mandatory for opening a Tier II account.
- No separate KYC for Tier II account opening will be required; the only requirement is a pre-existing Tier I account.

### **Minimum contribution requirements:**

- |   |   |            |
|---|---|------------|
| 1. Minimum contribution at the time of account opening  | - | Rs. 1000/- |
| 2. Minimum amount per contribution  | - | Rs. 250/-  |
| 3. Minimum Account Balance at the end of FY   | - | Rs. 2000/- |
| 4. Minimum number of contributions in a year  | - | 4          |
| (Minimum One contribution in case a subscriber joins in the last quarter)   |   |            |
| 5. Penalty of Rs. 100/- to be levied on the subscriber for not maintaining the minimum Account balance and/or not making the minimum number of contributions. |   |            |

### **Charge Structure for PoPs:**

- |  |   |          |
|--|---|----------|
| 1. New account opening charges (Tier I & II both)        | - | Rs. 40/- |
| 2. Tier II activation for existing subscribers of Tier I | - | Rs. 20/- |

**Comparison between Tier – I and Tier – II Accounts**

The following table summarizes the main features of Tier II account vis-à-vis Tier I account of NPS:

S. No	Functionality	Tier I	Tier II
1	<b>Registration</b>	Registration through PAOs for <b>Government</b> subscribers and through POP-SP for all other subscribers. KYC to be done by POP-SP.	Registration only through POP-SP for Government as well as all other subscribers. PRAN card to act as KYC, no separate documentation required.
2	<b>Contribution</b>	<p><b>Government Subscriber</b></p> <ul style="list-style-type: none"> <li>➤ Mandatory contribution through PAO/CDDO for <b>Government</b> subscribers (10% + 10% of Basic +DA per month)</li> </ul> <p><b>Other Subscribers (all Citizen except those mandatorily covered by NPS)</b></p> <ul style="list-style-type: none"> <li>➤ Minimum four contribution in a year</li> <li>➤ Minimum contribution Rs 6000/- p.a.</li> <li>➤ Minimum Contribution Rs 500/- per contribution</li> </ul>	<ul style="list-style-type: none"> <li>➤ Voluntary contribution through POP/POP-SP for Government as well as other subscribers</li> <li>➤ Minimum contribution of Rs 1000/- at the time of account opening</li> <li>➤ Minimum contribution of Rs 250/- per contribution</li> <li>➤ Minimum balance of Rs 2000/- at the end of each financial year</li> </ul>
3	<b>Scheme Preference</b>	<p><b>Unorganized sector subscribers</b></p> <ul style="list-style-type: none"> <li>➤ 3 Asset classes and 6 PFMs</li> <li>➤ Availability of Auto Choice</li> </ul> <p><b>Government Subscribers</b></p> <ul style="list-style-type: none"> <li>➤ Default Scheme under Tier I</li> <li>➤ 3 PFMs</li> </ul>	<p><b>All subscriber shall have</b></p> <ul style="list-style-type: none"> <li>➤ Choice of six PFMs and three assets classes (E,C,G)</li> <li>➤ Availability of Auto Choice</li> </ul>
4	<b>Bank Account</b>	Non Mandatory	Mandatory
5	<b>Withdrawals</b>	No Withdrawals allowed during vesting period except as per the norms prescribed by PFRDA	No Limit on Withdrawals

Note: The form for opening of Tier II account is available on website [www.npscra.nsdl.co.in](http://www.npscra.nsdl.co.in)