



Pension Fund Regulatory Development Authority

What is the issue?

\n\n

\n

- Pension Fund Regulatory Development Authority completes five years of functioning,

\n

- It is imperative at this juncture to reflect on its success, shortcomings and the way ahead.

\n

\n\n

What is PFRDA?

\n\n

\n

- The interim PFRDA was established in 2003.

\n

- This was to oversee the National Pension System (NPS), and regulate India's pensions sector.

\n

- The interim PFRDA transitioned into the PFRDA with the passage of Pension Fund Regulatory Development Authority (PFRDA) Act, 2013.

\n

- PFRDA has come a long way, but there are still some gaps in India's pension regulatory framework.

\n

- **Significance** - The PFRDA Act is the linchpin of India's pension regulatory framework.

\n

- The Act is being supplemented by regulations issued by the PFRDA.

\n

- They regulate the functioning of key intermediaries under the NPS framework.

- These include the NPS Trust and the Pension Funds and Points of Presence (PoPs).

How has the NPS evolved?

- The National Pension System (NPS) was introduced in 2003.
- Concerns of inadequate coverage and fiscal unsustainability of traditional civil-servant pensions led to NPS's creation.

- The NPS was visualised as a defined-contribution pension scheme.
- It had features including individual pension accounts, multiple pension funds, etc.
- Initially, NPS covered only government employees.
- It was extended to all citizens by 2009, barring members of the armed forces.
- Subsequent reforms focused bringing India's vast unorganised sector workforce into the NPS net.
- In this line were introduced a simpler variant of NPS, 'NPS-Lite' in 2010.
- Likewise, the 'Swavalamban' scheme was introduced in 2010.
- Under this, the government co-contributes to the pension corpus of unorganised sector workers not covered by social security schemes.
- Similarly, the 'Atal Pension Yojana' was introduced in 2015.
- In this, the government guarantees a minimum post-retirement monthly pension.
- It also extends co-contribution benefits to unorganised sector workers.

\n\n

What are the concerns with PFRDA?

\n\n

- \n
 - **NPS** - A major concern in India's pension regulatory framework is a widespread lack of clarity.
- \n
 - E.g. being a regulator of the pensions sector, PFRDA is also responsible for promoting and developing the NPS
- \n
 - This gives rise to concerns of a potential conflict of interest.
- \n
 - It thus requires a clearer delineation of the PFRDA's role, for greater regulatory accountability.
- \n
 - **NPS Trust** - NPS Trust is a critical intermediary in the NPS framework which -
- \n

\n\n

- \n
 - i. holds subscriber funds and assets in its custody
- \n
 - ii. implements PFRDA's regulations
- \n
 - iii. supervises and monitors other intermediaries
- \n

\n\n

- \n
 - It does these all remaining under the PFRDA's supervision.
- \n
 - At present, the NPS Trust and the PFRDA possess overlapping and concurrent powers.
- \n
 - The powers are in relation to inspecting other NPS intermediaries.
- \n
 - This again lacks clarity, leading to accountability and conflict of interests concerns.
- \n
 - **Act** - The foreign shareholding limits for Indian insurance companies are currently 49%.
- \n

- Also, the foreign exchange regulations cap foreign shareholding in the pensions sector at 49%.
\n
- But PFRDA Act caps foreign shareholding in Indian pension funds to be one of the higher from the following two -
\n

\n\n

- i. 26% of the pension fund's paid-up capital
\n
- ii. the limits specified for Indian insurance companies under the provisions of the Insurance Act
\n

\n\n

- \n
- The choice from dual percentages as specified in the Act creates unnecessary confusion.
\n
- **Consumer protection** - NPS serves as a universal product securing citizens' retiral incomes.
\n
- But there is an inadequate emphasis on financial consumer protection.
\n
- E.g. the web-based grievance portal for NPS subscribers allows complaints registration only in English.
\n
- There are similar concerns with the PFRDA (Redressal of Subscriber Grievance) Regulations, 2015.
\n
- It fails to specify clear grounds for approaching the office of the Ombudsman, functioning as the grievance redress authority.
\n
- Inadequate attention to consumer protection also reflects in the recent PFRDA (Points of Presence) Regulations, 2018.
\n
- PoPs are intermediaries and help in on-boarding subscribers to the NPS.
\n
- The Regulations require PoPs to maintain confidentiality of subscribers' personal information.
\n
- But the regulations fall short of
\n

\n\n

- \n
- i. detailing specific standards of care required of PoPs
 - ii. expressly penalising PoPs who fail in protecting confidentiality
- \n

\n\n

- \n
- The absence of such safeguards undermines the protection of subscribers' personal information.
 - Addressing these gaps and strengthening the underpinnings of India's pensions framework should be a priority.
- \n

\n\n

\n\n

Source: BusinessLine

\n



IAS PARLIAMENT
Information is Empowering
A Shankar IAS Academy Initiative