



Minimum Assured Return Scheme: PFRDA

For Prelims: Minimum Assured Return Scheme, Pension Fund Regulatory and Development Authority, National Pension System.

For Mains: Government Policies & Interventions, Welfare Schemes, Significance of Minimum Assured Return Scheme for Salaried Persons.

Why in News?

The [Pension Fund Regulatory and Development Authority \(PFRDA\)](#) has proposed a guaranteed return scheme, **Minimum Assured Return Scheme (MARS)**, which will provide savers and people from the salaried class an option for their investments.

- This will be the **first scheme** from the pension regulator that **will offer a guaranteed return to investors**.
- India's pension assets under management have already crossed the Rs 7-lakh crore mark and are expected to touch RS 7.5-lakh crore by end March this fiscal 2021-22.
- PFRDA is aiming for an [AUM \(Assets Under Management\)](#) of **Rs 30-lakh crore by 2030**.

What is PFRDA's Proposal under MARS?

- **About:**
 - **To have a separate scheme that can offer a guaranteed minimum rate of return to [NPS \(National Pension System\)](#) subscribers**, especially those who are risk averse.
 - **Currently**, the NPS gives returns annually, based on prevailing market conditions.
 - The actual **returns will depend on the market conditions**. Any shortfall will be made good by the sponsor, and the **surplus will be credited to the subscribers' account**.
- **Options that will be offered:**
 - **Fixed Guarantee Option:** Under the **fixed guarantee option**, the guaranteed return is fixed along the **accumulation phase**.
 - **Floating Guarantee Option:** Under the **floating guarantee option**, the guaranteed rate of return is not fixed **along the savings phase**.
 - The floating guarantee depends on the **development of the 1-year interest rate until retirement**.
- **Lock-in- Period:**
 - The **Lock-in may be applicable on each contribution, and will be applied based on the period** since that contribution has been made. It may also consider multiple lock-in period options (or staggered guarantee periods) for flexibility.
 - Withdrawals are **likely to be directly linked to the lock-in period**. The subscriber may have the option **to withdraw or to stay invested after the lock-in period**. However, there won't be any guarantee applied on the investment after lock-in.
- **Limit of Contribution:**
 - Minimum and maximum monetary limits on contributions may be prescribed. **The attraction for investors will be the minimum guaranteed return**.

What is the National Pension System?

▪ About:

- The Central Government introduced the NPS with effect from January 2004 (except for armed forces).
 - In **2018** to streamline the NPS and make it more attractive, the Union Cabinet approved **changes in the scheme** to benefit central government employees covered under NPS.
- NPS is implemented and regulated by **PFRDA**.
- **National Pension System Trust** (NPST) established by PFRDA is the registered owner of all assets under NPS.

▪ Structure: NPS is structured into two tiers:

◦ Tier-I account:

- This is the **non-withdrawable permanent retirement account** into which the accumulations are deposited and invested as per the option of the subscriber.

◦ Tier-II account:

- This is a **voluntary withdrawable account** which is allowed only when there is an active Tier I account in the name of the subscriber.
- The withdrawals are permitted **from this account as per the needs** of the subscriber as and when claimed.

▪ Beneficiaries:

- NPS was made **available to all Citizens** of India from May 2009.
- Any individual citizen of India (both resident and Non-resident) in the age group of **18-65 years** can join NPS.
- However, **OCI (Overseas Citizens of India) and PIO (Person of Indian Origin)** card holders and **Hindu Undivided Family** (HUFs) are not eligible for opening of NPS accounts.

What is the Pension Fund Regulatory and Development Authority?

▪ About:

- It is the **statutory Authority established by an enactment of the Parliament**, to regulate, promote and ensure orderly growth of the National Pension System (NPS).
- It works **under the Department of Financial Services** under the Ministry of Finance.

▪ Functions:

- It performs the **function of appointing various intermediate agencies** like Pension Fund Managers, Central Record Keeping Agency (CRA) etc.
- It develops, promotes and regulates the pension industry under the NPS and also administers the APY.

Source: BS