NATIONAL CONFEDERATION OF BANK EMPLOYEES
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All letters to be addressed to the General Secretary

NCBE/GS/2025/20 **Date: 16.05.2025**

To,
The Chairman,
Indian Banks' Association,
World Trade Centre Complex,
6th Floor Centre 1 Building,
Cuff Parade,
MUMBAI – 400 005.

Respected Sir,

PROVISION FOR EXERCISING CHOICE OF PENSION FUND MANAGER AND INVESTMENT PATTERN IN TIER-I FOR EMPLOYEES UNDER NPS

We invite your attention to a matter of significant concern affecting employees covered under the New Pension Scheme (NPS), who have not been provided the option to choose their Pension Fund Manager (PFM) and choice of investment pattern.

2. We also refer to the letter vide NPS/NDT/022/2024-25 dated 12.05.2025 addressed to The Joint Secretary, Department of Financial Services, Ministry of Finance, by The National NPS Reforms Coordination Committee on the captioned subject.

3. We further refer to The Gazette of India dated 31.01.2019 by the Ministry of Finance, Department of Financial Services, which mentioned as "The following provisions shall be inserted after para 1 (v) of the said notification, namely:-

CHOICE OF PENSION FUND AND INVESTMENT PATTERN IN TIER-I OF NPS AS UNDER:

(vi) Choice of Pension Fund: As in the case of subscribers in the private sector, the Government subscribers may also be allowed to choose any one of the pension funds, including Private sector pension funds. They could change their option once in a year. However, the current provision of the combination of the public sector pension funds will be available as the default option for both existing as well as new Government subscribers.

(vii) Choice of Investment pattern: The following options of investment choices may be offered:

(a) The existing scheme in which funds are allocated by the PFRDA among the three Public Sector Undertaking fund managers based on their past performance in accordance with the guidelines of PFRDA for Government employees may continue as default scheme for both existing and new subscribers.

(b) Government employees who prefer a fixed return with minimum amount of risk may be given an option to invest 100% of the funds in Government Securities (Scheme G)

(c) Government employees who prefer higher returns may be given the options of the following two Life Cycle-based Schemes

    (A) Conservative Life Cycle Fund with maximum exposure to equity capped at 25% - LC – 25.

    (B) Moderate Life Cycle Fund with maximum exposure to equity capped at 50% - LC – 50.

4. The National NPS Reforms Coordination Committee in its letter addressed to The Joint Secretary mentioned that as per the data and performance metrics available from the National Pension System Trust, top performing Pension Fund Managers like LIC Pension Fund have merely delivered returns of up to 9.01% over the past five years, while others lag significantly behind in contrary to the fact that during the period the market has given exceptionally high returns. However, the lack of choice in Pension Fund Managers for NPS Subscribers has resulted in estimated cumulative financial losses of Rs.10-12 lakhs per subscriber enrolled since 2011, as returns often fail to keep pace with inflation and the time value of money. This systemic constraint not only undermines the financial security of employees but also contradicts the very ethos of the NPS as a market-linked, subscriber-centric retirement solution.

5. Moreover, PFRDA guidelines allow subscribers to choose Pension Fund Managers and investment options at registration or later via online/offline mode. Regrettably, most public sector and nationalized banks have not enabled this flexibility, leaving NPS employees stuck in underperforming schemes with no means to optimize their retirement corpus. This failure has led to significant dissatisfaction and financial harm among NPS subscribers in the Banking Sector.

6. Only a few Public Sector Banks (PSBs), such as Indian Overseas Bank, Indian Bank, Bank of India, and Union Bank of India, have extended to their employees the option to choose the Pension Fund Manager (PFM) and the investment pattern under the National Pension System (NPS). However, it is a matter of concern that the remaining eight Public Sector Banks, including State Bank of India, have not yet implemented this provision, thereby restricting their employees from exercising control over their retirement investments. This limitation potentially results in suboptimal or lower average returns, undermining the core objective of NPS to ensure better retirement outcomes through informed individual choice.

7. As you are aware, employees governed by the National Pension System (NPS) do not have a defined pension scheme. Their pension benefits depend on the number of units accumulated up to the time of their retirement and the Net Asset Value (NAV) of those units at that point. The number of units accumulated is directly linked to the performance of the Pension Fund Manager (PFM).

If the Pension Fund Manager delivers returns above 15%, the number of units increases significantly, thereby enhancing the value of the corpus, which in turn can generate a higher monthly pension after retirement. At the time of retirement, the monthly pension for NPS subscribers is determined by the Annuity Service Provider (ASP) chosen by the employee. Therefore, if a higher number of units is accumulated by retirement, there is a greater chance of receiving a better monthly pension.

The performance of the Pension Fund Manager thus plays a critical role in building the retirement corpus. Over the long investment period, Pension Fund Managers are expected to deliver consistent and substantial returns to safeguard the interests of employees. However, based on publicly available statistics, the performance of the SBI Pension Fund Manager has been below par compared to other Pension Fund Managers. This adversely affects unit accumulation and, consequently, reduces the pension. Therefore, the option to choose the Pension Fund Manager becomes extremely important.

At the same time, the choice of investment pattern is equally significant. Currently, employees do not have the flexibility to select their preferred investment pattern under the Tier-I account. The equity investment is restricted up to 15%, which is a major limitation, particularly for younger employees who typically have a higher risk appetite and prefer to allocate a greater portion of their investments to equities rather than government securities and debt instruments. Such an approach could yield better long-term returns. At present, employees are unable to exercise any control over the investment pattern in their Tier-I accounts. As a result, their hard-earned contributions are generating average returns of just over 9%, which are not the best available in the market.

8. In light of the above, we earnestly urge you to take immediate and proactive steps to safeguard and grow the hard-earned retirement savings of employees. It is imperative that employees are to be empowered with the freedom to choose both their Pension Fund Manager and preferred investment pattern, especially in the Tier-I account, in accordance with the provisions laid down by PFRDA and The Gazette of India. Timely intervention in this regard will not only ensure better returns but also help in multiplying the retirement corpus manifold, thereby securing the financial future of employees post-retirement. We trust that the urgency and importance of this matter are recognized, and that decisive action will be taken in the best interest of all employees.

9. Please acknowledge the receipt of this communication and advise us of the developments in this regard.

With best regards,

Yours sincerely,

(L. CHANDRASEKHAR)
GENERAL SECRETARY