

**The PFRDA Bill was referred to the Standing Committee on Finance. The Committee presented their report in Parliament on July 26, 2005.**

**The recommendations of the Committee, inter alia, include:**

- (i) allowing withdrawal from Tier I account<sup>1</sup> also;
- (ii) specifying in clear terms in the Bill that one of the pension funds would be from the public sector;
- (iii) giving preference in selection to such pension fund managers that guarantee returns, and spelling out the pre-requisites relating to capital structure and experience criteria for selection of pension funds and other intermediaries in the Bill;
- (iv) making available to subscribers an option of 100 per cent investment in Government securities and indicating this in the Bill;
- (v) stipulating that any decision relating to permitting FDI in the pension sector should be implemented only by way of suitable amendments in the legislation; and further that such decisions and decisions relating to deployment of pension funds outside the country should not be at variance with related provisions applicable to the insurance sector;
- (vi) including the differentiation between Tier-I and Tier II accounts as a part of the basic or essential features of the NPS in clause 20 of the Bill; and (vii) bringing forward a comprehensive legislation in order to cater to the social security of the unorganized sector, inclusive of pension coverage of the workforce simultaneously with the setting up of PFRDA as a statutory body.

The recommendations of the Committee have been examined and a amended PFRDA Bill, based on the recommendations of the Committee is under the Government's consideration.

---

<sup>1</sup>**Tier-I account:** This is the account into which the mandatory monthly contribution under the NPS by the employee, the matching contribution by Government and investment returns would be deposited. Withdrawals would not be permitted from this account.

**Tier-II account:** In addition to the non-withdrawable pension Tier-I account, each individual may also voluntarily opt for another account called Tier-II account from which he/she would be free to withdraw a part or all of his Tier-II money. This option is to be given as General Provident Fund would no longer be available to new recruits to Government service with effect from January 1, 2004. Government would not make any contribution to this account.