

MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

PRESS RELEASE

A defined contribution pension scheme has been introduced with effect from 1st January 2004 for Central Government employees recruited on or after that date, (except Armed Forces, in the first stage) replacing the existing defined benefit pension system. Pending establishment of the full institutional architecture of the New Pension System (NPS), an interim arrangement is in place.

2. It was announced in Budget 2004-05 that suitable legislation to provide a regulatory framework for the NPS would be put in place. As the number of new entrants who are mandatorily covered under the NPS is increasing, a regulatory framework, including a statutory regulator, is urgently required in public interest. On 11th November 2004, Government approved a proposal to promulgate an Ordinance to operationalise the Budget announcement. The Ordinance could not, however, be promulgated as in the meantime, Parliament was summoned for the Winter Session. On 27th December 2004, Government approved a proposal to now promulgate an Ordinance. The Ordinance has since been promulgated on 29th December 2004.

3. The Ordinance provides, inter alia, for establishing a statutory regulatory body called the Pension Fund Regulatory and Development Authority (PFRDA) which will undertake promotional, developmental and regulatory functions in respect of the pension sector; empowering PFRDA to regulate the NPS, as amended from time to time by the Central Government; empowering PFRDA to frame regulations/guidelines and to prescribe disclosure standards etc. perform its functions, including authorising and regulating intermediaries and protecting the interests of subscribers to schemes of pension funds, through regulations/guidelines, prescribing disclosure standards, curbing fraudulent and unfair practices in pension funds etc. and providing that appeals against the orders and decisions of PFRDA would be heard by the Securities Appellate Tribunal.