Chapter 6 – Conclusion and Recommendations

6.1 Conclusion

GOI introduced[54] the NPS from 01 January 2004, with monthly contribution @ 10 *per cent* of the salary and DA to be paid by the employee and matched[55] by the Central Government. The contributions and investment returns are deposited in Tier-I account. It was also specified that the then existing provisions of defined benefit pension and General Provident Fund (GPF) would not be available to the new recruits in Central Government service. State Government and its Autonomous Bodies also adopted NPS architecture on different occasions for their employees. After lapse of 15 years, since NPS was made applicable in 2004, Government in 2019 took measures[56] for streamlining the implementation of NPS. However, action on some issues is still pending or under consideration of the Government.

Performance Audit on NPS revealed the following:

- There was no assurance that all Nodal Offices (under Central Government, State Government, Central Autonomous Bodies and State Autonomous Bodies) were registered under NPS.
- During formulation of the scheme, essential controls to ensure 100 *per cent* coverage of eligible employees were not envisioned and an assurance on 100 *per cent* coverage of eligible employees is still lacking despite 15 years of implementing NPS.
- There were cases of delay in issue of PRAN, first deduction of NPS contribution, bills reaching PAO, uploading SCF and remittance of contribution to the Trustee Bank. However, no penal provisions exist for such delays on Government Nodal Office (concerned officers/ officials) to ensure timely performance of NPS related activities. DFS intimated (May 2020) that PFRDA Act was being amended by incorporating enabling provisions for imposition of penalty on Government Nodal Offices for delay in deducting and crediting NPS contributions.
- An amount of ₹5.20 crore and ₹793.04 crore were not remitted to the Trustee Bank by Central Government/ CAB DDOs and States/ UT DDOs respectively in respect of those nodal offices who had joined NPS.

---

54 NPS was introduced vide its Notification dated 22 December 2003.

55 As per the Notification of the DFS, GOI, dated 31 January 2019, the co-contribution by Government of India has been enhanced to 14 *per cent*. This is applicable from 1 April 2019 onwards.

56 As per the Notification of the DFS, GOI, dated 31 January 2019, Government, *inter alia*, provided for the choice of PFs and investment pattern; and compensation for non-deposit or delayed deposit of contribution during 2004 to 2012.

- Unlike private sector employees who had the choice in making their investments, Government employees did not get to choose the Pension Fund and schemes for a period of more than 15 years i.e. from 01 January 2004 to 30 January 2019.
- In 4,130 cases pertaining to Civil Ministries of GOI, where additional benefit/ relief as per O.M dated 05 May 2009 was granted, an amount of ₹139.95 crore of NPS accumulations lying in the PRAN accounts is yet to be transferred to the Nodal Office/ Government.
- Even after 15 years from introduction of NPS, rules on service conditions/ retirement benefits in respect of employees covered by NPS were pending for finalisation.
- NPS was made applicable to new entrants in all Autonomous Bodies under various Central Ministries/ Departments recruited on or after 1 January 2004, without record keeping and accounting arrangements in place for the Autonomous Bodies.
- In respect of States, CABs and SABs, PFRDA did not fix timelines for upload of legacy data and transfer of legacy contributions to the Trustee Bank, affecting the timely transfer of legacy amount to the Trustee Bank. Further, PFRDA was unaware of the quantum of legacy amount and the status of its transfer to the Trustee Bank.
- There was no indication (i) that actuarial evaluation of the fund/ scheme was conducted once in 2 years and (ii) of adoption of any other mechanism to assess the viability of the fund/ Scheme. DFS intimated (May 2020) that it intended to conduct actuarial evaluation to assess the present situation and take appropriate measures to maximize and optimize the replacement rate keeping in view the recent replacement rates under NPS *vis-à-vis* the benefits envisaged at the introduction of NPS.
- Out of 66-68 Ministries/ Departments between 2012-13 and 2018-19 not all Ministries/ Departments had constituted the Committee comprising Joint Secretary, Pr.CCA/ CCA and Financial Advisers.
- As Government nodal offices were not registered as intermediaries, timely compliance with grievance redressal timelines could not be ensured with the result that substantial number of grievances were outstanding for one or more years, between 2013-14 and 2017-18.

Governments introduced NPS for their employees as a conscious decision. Till March 2018, there were 49.21 lakh subscribers of Central and State Government under NPS, besides 8.80 lakh subscribers in Central and State Autonomous Bodies. Even after a lapse of more than 15 years since introduction of NPS in 2004, the system still suffers from deficiencies as highlighted in the report. If these deficiencies remain unaddressed, then there is a likelihood that NPS may fail. In case of such failure, the liability to provide pension as a social security measure to these subscribers would fall on the Central and respective State Governments, entailing huge financial burden on account of this, in addition to their existing pension liabilities.

6.2 Recommendations

- *A foolproof system needs to be put in place to ensure that all nodal offices and eligible employees are registered under NPS. Internal Audit mechanism should see that every employee is brought into the system. To ensure this, delays need to be penalised and compensation effected to avoid loss to the subscriber.*
- *Government may ensure that rules on service matters for NPS beneficiaries of Government sector are put in place.*
- *Government must identify all such cases where legacy contributions were not remitted to Trustee Bank and ensure that the same may be remitted with due interest and compensation so that subscriber does not suffer loss.*
- *Immediate steps need to be taken for providing MARS, in compliance to the provisions of the PFRDA Act, to the subscriber for ensuring their social security post retirement.*
- *DFS may arrive at minimum replacement rate taking into consideration the annuity rates, increased longevity and interest rates.*
- *DFS may ensure that the amendment being made to the PFRDA Act, clearly defines the responsibility, accountability and penalty for delay at each level (as they are for employees in the Employees Provident Funds and Miscellaneous Provisions Act, 1952) to ensure that NPS subscribers' contribution is remitted to the Trustee Bank and credited in subscriber's PRAN within the scheduled time.*
- *PFRDA should mark cases of grant of additional relief in CRA system to avoid payment of any sum to Annuity Service Provider or to subscriber/ family member subsequently. The pension paying authority may obtain NOC from nodal office to the effect that claimant has not been granted the pension under NPS. Government may take immediate steps to recover the payment already made from the NPS corpus or on*

account of NPS pension to the subscribers/ family members who had received benefits of additional relief.

- *Audit findings in report are based on sample scrutiny. Government, both at the Centre and States, may identify similar instances in the entire NPS Universe and determine the magnitude of deficiencies in implementation and take remedial action.*

New Delhi **(SHUBHA KUMAR)**
Dated: 4 August 2020 **Deputy Comptroller and Auditor General (Commercial) and Chairperson, Audit Board**

Countersigned

New Delhi **(RAJIV MEHRISHI)**
Dated: 4 August 2020 **Comptroller and Auditor General of India**