



Report on Orientation Workshop on Atal Pension Yojana Lucknow, Raibareilly & Rampur – Uttar Pradesh

**Supported by PFRDA
Under
Poorest States Inclusive Growth (PSIG) Programme**



Date: 19, 22 & 28 January 2016

Introduction:

The DFID supported Poorest States Inclusive Growth (PSIG) programme is being implemented by SIDBI to enhance income and employment opportunities of poor households in four of the underserved states viz Bihar, Odisha, Uttar Pradesh and Madhya Pradesh. The key purpose of the program is to improve income and reduce vulnerability of poor people and small producers by expanding their access to finance and markets. The PSIG programme is envisaged to benefit the poor and vulnerable, especially women, in the above low-income states, providing financial access to 12 million poor people by way of capacity building of MFIs, facilitating technology led models, product development and roll-out, setting up risk funds etc.

ACCESS-ASSIST, a specialized affiliate of ACCESS Development Services for Financial Inclusion, has been assigned the task to coordinate the policy component of the programme in the above four states and at national level. One of the identified priorities within the PSIG policy mandate is to work towards making government schemes accessible to everyone, ACCESS-ASSIST has been organizing various thematic workshops, roundtable discussions, consultative meetings etc. at both national and state levels, involving different key stakeholders and facilitating constructive and forward looking discussions specifically between banks and Government entities, beneficiaries etc.

Need for the Orientation on Atal Pension Yojana:

The Government of India introduced a new scheme called the Atal Pension Yojana (APY) in the 2015-16 budget. The scheme is administered by the Pension Fund Regulatory and Development Authority (PFRDA) through NPS architecture. APY, as a social security product mainly focuses on the working poor from the unorganized sector who do not have membership with any other statutory social security scheme. Under the APY, the subscribers would receive the fixed pension of Rs. 1000 per month, Rs. 2000 per month, Rs. 3000 per month, Rs. 4000 per month, Rs. 5000 per month, at the age of 60 years, depending on their contributions and on the age of joining the APY. The minimum age of joining APY is 18 years and maximum age is 40 years. This scheme is one among the three social security schemes launched by Prime Minister on 9th May 2015. Other two schemes are insurance schemes. These three schemes are being implemented since 1st June, 2015.

While the insurance schemes have picked up a momentum at both the national and state level, enrolment under APY has not seen such growth patterns. In the course of various activities under PSIG programme, the need for a detailed round of discussion on the various aspects of APY was identified by the implementing agencies as well as banks, MFIs, BC organizations, etc. Participants from various sector pointed out towards a lack of clarity in terms of the basic features of APY like exit policy, nominees, etc. Keeping this as the background the action point was further developed by organizing an Orientation programme on APY with support from PFRDA for bankers and other implementing agencies in Lucknow on 19th January, 2016.

Summary of the Orientation Programme

A State level and two district level orientation programme on APY were organized in Lucknow, Raibareilly & Rampur on 19th, 22nd, & 28th January-2016 respectively, which was attended by 122 participants from different banks (Private, National, RRBs and Cooperative Bank), MFIs, & aggregators (participant list of the workshop is provided in **Annexure 1, 2 & 3**). The orientation programme was formally initiated with welcome address by ACCESS ASSIST, opening remarks by SIDBI followed by introduction of the participant.

Presentation on National Pension Scheme (NPS) and Atal Pension Yojana by Shri Ashok Bagga, Ex banker & Trainer of Centum Learning Centre: Presentation by Centum included features of both, NPS and APY. Major points covered under presentation were –

National Pension Scheme -

- Evolution of NPS and setting up of PFRDA
- Mandate of PFRDA Act 2013 – There are five mandates of PFRDA Act 2013, which are –
 1. Develop and regulate NPS and Pension Scheme
 2. Register and regulate intermediaries
 3. Protection of Subscriber's interest
 4. Redressal of grievances
 5. Education and Training
- Different variants of NPS like – Government model, corporate model, all citizens of India model, APY.
- Tax benefits under NPS – tax deduction under 80CCD.
- Benefits of NPS, like portable, real time update, tax and withdrawal benefit, professional fund manager etc.
- Withdrawal norms in NPS – In case of superannuation, resignation, critical needs and death.

Atal Pension Yojana –

- Triple assured benefits –
 1. Minimum guaranteed pension of Rs 1000-5000 at the age of 60 yrs.
 2. The same pension is payable to spouse after death of subscriber.
 3. Return of indicative pension wealth to nominees after death of spouse.
- Eligibility, accumulation (including provisions for delayed contribution and Government of India co-contribution) and exit policy under APY.
- Exit provisions for Swavalamban subscribers for both above and below 40 yrs of age.
- Unique features of APY –
 1. GoI co-contribution payable into SB account at the year end.
 2. An acknowledgement slip provided to the subscribers after enrolment informing the minimum guaranteed pension amount, due date of contribution payment, PRAN etc.
 3. Switching option – for e.g. switching from Rs. 1000 of pension to Rs. 5000.
 4. SMS alerts regarding balance in the account, contribution credits etc.
- Investment pattern for APY - under government securities, debt instruments, equities, ABS.
- Potential APY subscribers –contractual staffs of banks and government departments, customers mobilized under PMJDY, members of associations, trusts etc, labours working in unorganized sectors etc.
- Role of banks in APY.
- Projected benefits of APY –
 1. Better life in post-retirement phase
 2. Voluntary Savings
 3. Mitigation of longevity risk
 4. Decreased burden on Social Security/Public Health System
 5. Improved quality of infrastructure/deployment of long term savings in needy sector

Discussion – We conducted a very interactive and engrossing session on the various features of APY. The members actively participated in the session by putting interesting questions and queries. Major questions/discussion points, during the sessions, are mentioned below –

1. Why Atal Pension Yojna- A large portion of India's population is working in the unorganized sector. APY aims at providing them with a post retirement security scheme. Further, under Swavalamban scheme, pension amount

and return on contribution is not guaranteed, which was a concern for implementing agencies. That is why a new scheme is launched with guaranteed return on investment with guaranteed pension amount.

2. Restriction at Entry is 40 years of age –To provide certain pension amount, a fixed corpus is needed. If a person joins the scheme at the age of 57, in 3 years, he may not be able to contribute a consolidated amount to get minimum Rs. 1000 as pension. However, the government is flexible on this issue and PFRDA is proposing to increase the entry age from 40 years to 50 years. It is in proposal and not decided yet.
3. Withdrawal under NPS, before attaining 60 years of age – After contributing minimum for 10 years, a person can withdraw 25% of total contribution till date. This facility is available for maximum 3 times.
4. Nominee in absence of spouse– In case of unavailability of spouse (passed away/ divorced, etc.), the subscriber can name any other person as nominee.
5. If a person passes away before attaining 60 years of age– In that case his/her spouse(default nominee) will get the pension. In other cases (absence of spouse)the registered nominee will be entitled.
6. Government co-contribution – Government will contribute 50% of contribution by subscriber or Rs. 1000, whichever is less. This facility is not available for tax payers. If a subscriber is not earning or not paying tax due to less income, s/he will get government co-contribution, but if s/he comes under tax bracket, 2 years after joining APY, then government co-contribution will be discontinued. Subscriber will be needed to give self-declaration about his/her income tax.
7. Exit criteria –There are two exit criteria before 60 years of age- voluntarily, and terminal illness or death. In case of voluntarily exit, interest portion on subscriber's contribution will be given but government co-contribution will be forfeited.
8. Swavalamban to APY – Subscribers (below 40 years of age) are satisfied with APY, and then they can continue with that, if not, they can switch to APY. For subscribers, above 40 years of age, have two options – to continue with Swavalamban or exit.
9. Both husband & wife can contribute to APY, but they should not be holding any joint account under the scheme.
10. Incentive for banks –For every new enrolment bank will get Rs. 120 and for renewal in subsequent years banks will get Rs. 100 per subscriber.
11. Date for deduction of contribution –Contribution can be made on any date of the month. In case of default, the contribution and charges for default will be deducted as per cash availability in account.
12. Information on total Corpus of Subscriber-Currently there is provision of sending annual statement to subscriber, but in near future, along with annual statement, the subscribers will be able to see the status online. This development is under progress.
13. A person can switch from lower to higher pension contribution once a year in the month of April. If a person moves from Lower to Higher pension contribution, how the corpus amount will change and subsequent change in Pension amount?
14. Terms and conditions for penalty of delayed contribution and any other charges (if applicable) should be made clear to banks and other stakeholders.
15. Till what date can a person shift from Swavalamban to APY? And what will be the status of those who are yet to shift from Swavalamban to APY.
16. Acknowledgement of PRAN Cards by Bankers.
17. With so many conditions in the scheme it gets difficult to explain with all probabilities to the unorganized sector.
18. Spouse cannot be changed in nominee in case of remarriage.
19. Aadhar is currently not mandatory for enrolment in APY.
20. Option of APY should be incorporated in online banking.

Collective recommendations from all three workshops:-

- As the scheme is still under blooming stage and continuous updation is going, more and more frequent workshops need to be arranged for the Bankers.
- One of the major distractions for the scheme is the long duration of the scheme. Allowing premature withdrawals can be one of the possible solutions.
- To make updation in the software of APY to mark all the errors in one go, rather than highlighting one error at a time. This will boost efficiency of bankers and save time.
- To link this scheme with Insurance so in case the pensioner dies before the age of 40 the family can get an assured sum of insurance too apart from pension.
- The software makes delay in auto debit from subscriber's account which if due to error is not done in last date of any month will impose fine on the subscriber.
- Amount of pension should be increased to 10000 at least.
- Members of existing swablamban scheme in the age group of 18-40 years should also be allowed to withdraw.
- Pension fund value should be assessable to the subscriber at any point of time.
- Spouse should be allowed to withdraw the corpus in case not interested in pension.

Vote of Thanks –The orientation programme was concluded with vote of thanks given by Shri Utpal Chakraborty, State Director-PSIG. He thanked the participants for actively participating in the discussion. He also expressed his gratitude towards Centum Learning to give insight on the subject and address doubts and questions of the participants and assured them to raise these issues & recommendation with PFRDA officials.