

## Central Government Employees New Pension Scheme **NPS Gives 14.82% average returns**

Central government employees who joined as a part of the contributory New Pension Scheme (NPS) have earned a weighted average return of 14.82 per cent during 2008-09, the first year when three fund managers managed a corpus of around Rs 2,000 crore.

This has outperformed any another form of Investment like PF etc. Its a Win Win situation for both Govt as well as Employees.

This is in contrast to the annual 8 per cent returns between January 2004 and March 2008 when the government had not transferred the money to the three fund managers - SBI Pension Fund, UTI Retirement Solutions and LIC Pension Fund.

The Centre moved all employees joining from January 1, 2004 to NPS, where they have to chip in with a contribution of 10 per cent of their basic salary with a matching contribution made by the government. While the money was being deducted, it was parked in a government account and earned a fixed rate of return.

While the corpus will increase this year, partly due to higher contribution and also due to the release of some of the arrears following the implementation of the Sixth Pay Commission's recommendations, the equity investment is also expected to go up.

At present, around 5 per cent of the corpus is invested in equities against the permissible limit of 15 per cent.

This year onwards, the fund management fee is also going to decrease to 0.0009 per cent (or 0.09 basis points), in line with the pension scheme for non-government employees, as against up to 5 basis points last year.

In addition, state governments are expected to join the scheme. While 21 states have shown their willingness to join NPS, none of them have started releasing the funds as some of them, unlike the Centre, are reluctant to bear the costs, such as those related to the record-keeping agency.