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A COMPARATIVE STUDY OF PENSION FUND MANAGERS OPERATING SCHEME-E OF NATIONAL PENSION SYSTEM

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Abstract: **GDP and per-capita income are considered as the major indices for country's economic growth and development which in turn affect the saving and investment patterns. Saving rate in India was extremely low and was about 9% during 1950-1951 but improved to 23.6% in the ninth plan and was still 36.9% in 2007-08 and fell down a little and was 33.7% in 2009-10 and this felt the need to have some security even after retirement in order to maintain the same standard of living. It has been observed that ageing population globally has become a worry and India too is witnessing an increase in old-age dependency. India does not have a universal social security system as large number of elderly Indians were not covered under any pension scheme. Thus, a reform in pension system will not only ensure a sense of social security to the citizens but also help the State Government and Central Government to cut their liabilities. NPS is a contributory system under which both the employer and employee will have to contribute certain amount from their salary and employee will be provided regular income from their contribution after retirement. The amount of contribution invested in pension funds will depend upon the guidelines prescribed by PFRDA. In order to promote, develop and regulate the pension market in India, PFRDA was established in 2003 and this development authority provides the right to beneficiaries/subscribers to choose any sort of pension funds and investment patterns and it is quite clear that the expected risk and returns depends upon the type of portfolio taken by the subscriber. It is a fact that larger the contribution, higher the returns earned and longer the period of investments, higher will be the retirement benefits available to the employees. This paper examines the performance of seven Pension Fund Managers operating Equity Scheme of NPS. The study is based on secondary data collected from NPS trust.org and various references mentioned below which is further analyzed with the help of statistical tools such as mean, standard deviation and coefficient of variation.**

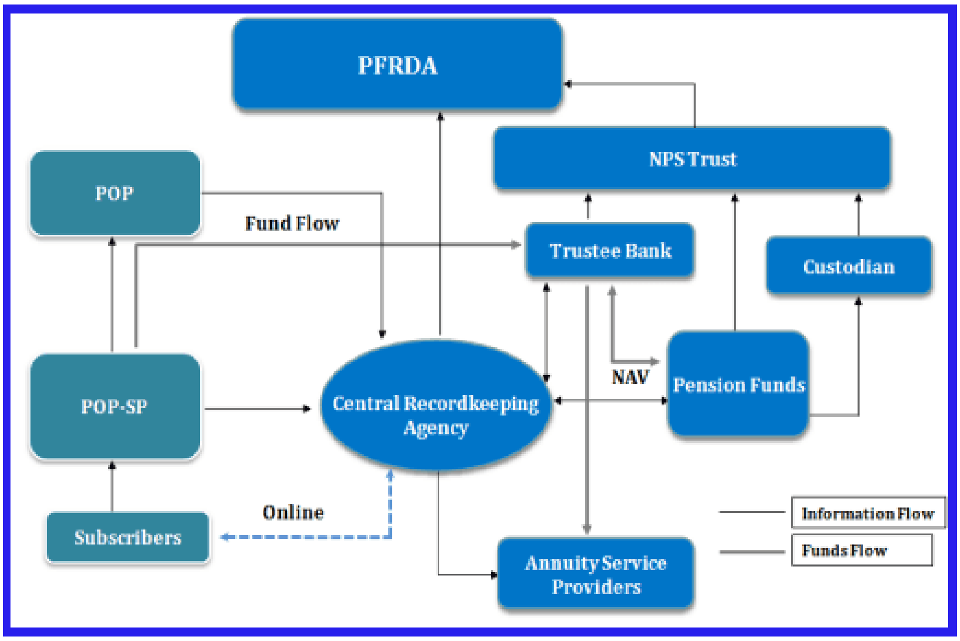
Keywords: **contributory, National Pension System, Pension Funds, Beneficiaries, Equity, Investment.**

1. INTRODUCTION

The Scheme-E denotes the equity Scheme of National Pension System. The scheme is one of the six schemes operated under "All Citizen Model" of National Pension System (NPS). An investor who opens his account under the All Citizen Model is required to opt his own investment mix and his own Pension Fund Manager (PFM) out of Seven PFMs. The funds received from investors are invested into Assets Backed Securities (A-Class), Equity (E-Class), Corporate Debt (C-Class) and Government Securities (G-Class) in the ratio decided by the individual investor. The investor can select "Auto Choice" or "Active Choice" for investment of his corpus. If an investor selects the "Auto Choice", then his funds will be invested into different types of assets according to the age of the investor which is known as "Life Cycle Fund". Three modes of investment are available under "Auto Choice" namely LC-25, LC-50 and LC-75 which are known as conservative, moderate and aggressive life cycle funds. An investor can select one alternative out of these three alternatives but he can change his option once in a year. If an investor does not select any investment option then his funds will be invested as per investment mix mentioned in LC-50 which is a default option. The maximum exposure into equity is restricted up to 25 percent in LC-25, 50 percent in LC-50 and 75 percent in LC-75. In life cycle based investment mix, the investment in Equity and Corporate Debt reduces with the advancement in age and investment in Government Securities is increased simultaneously. However, an investor can select his own investment mix under "Active Choice" mode but his exposure in equity will be restricted up to a maximum of 50 percent. The investment in Corporate Debt and Government Securities is free from any type of upper ceiling under "Active Choice" mode.

2. WORKING OF NPS

PFRDA has been appointed as a nodal agency managed through a set of Intermediaries who have experience in their own areas of operations. Each intermediary, looks after to specific activities such as recordkeeping, fund transfers, fund management and custodial services etc., has been selected through competitive bidding process to bring about the advantages of low-cost and effective checks & balances in the system to the subs Central Recordkeeping Agency-Appointed by PFRDA and entrusted with the record keeping of the data of individual subscribers.



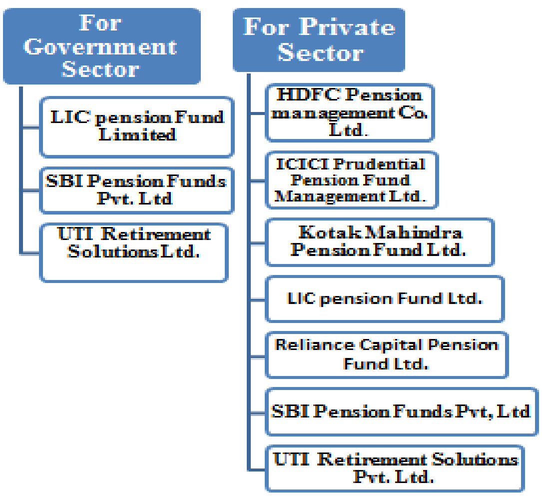
2.1 Points of Presence (POP) and POP-Service Provider (POP-SP)-

These are the banks and non-banking financial companies registered with PFRDA for registration and servicing of subscribers to the NPS.

They include mainly commercial banks who act as the first points of interaction of the NPS subscriber under the NPS architecture. The authorized branches of a POP, called Point of Presence Service Providers (POP-SPs), act as collection points and extend a range of customer services to NPS subscribers.

2.2 NPS Trust & Trustee Bank- the NPS Trust :(established by the PFRDA) handles the funds aspect of the transactions between various entities. Axis Bank Ltd. is the designated bank to facilitate fund transfers across subscribers, fund managers and annuity service providers based on the instructions received from CRA.

2.3 Pension Funds Managers- intermediaries appointed to invest the contributions received from various subscribers.

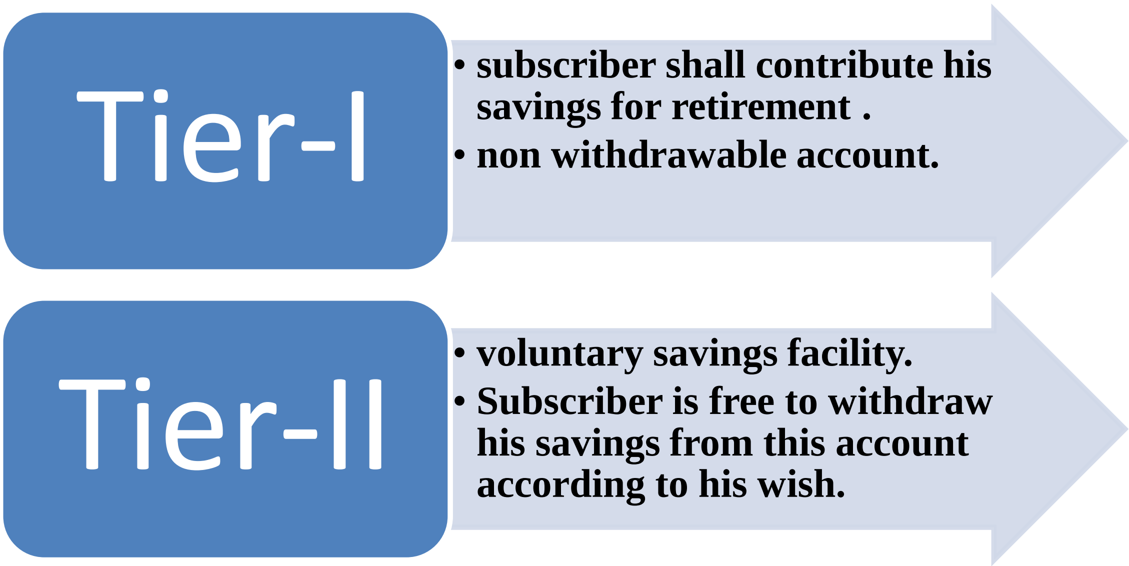


2.4 Annuity Service Providers:

Are appointed by the PFRDA to provide annuity to the subscribers through their various schemes. It is the will of subscribers to choose any of the Annuity Service Providers for buying an annuity and thus, delivers monthly pension to their subscribers.

2.5 Custodian- handles the security side of the transactions. The PFRDA has appointed the Stock Holding Corporations of India Ltd as the custodian.

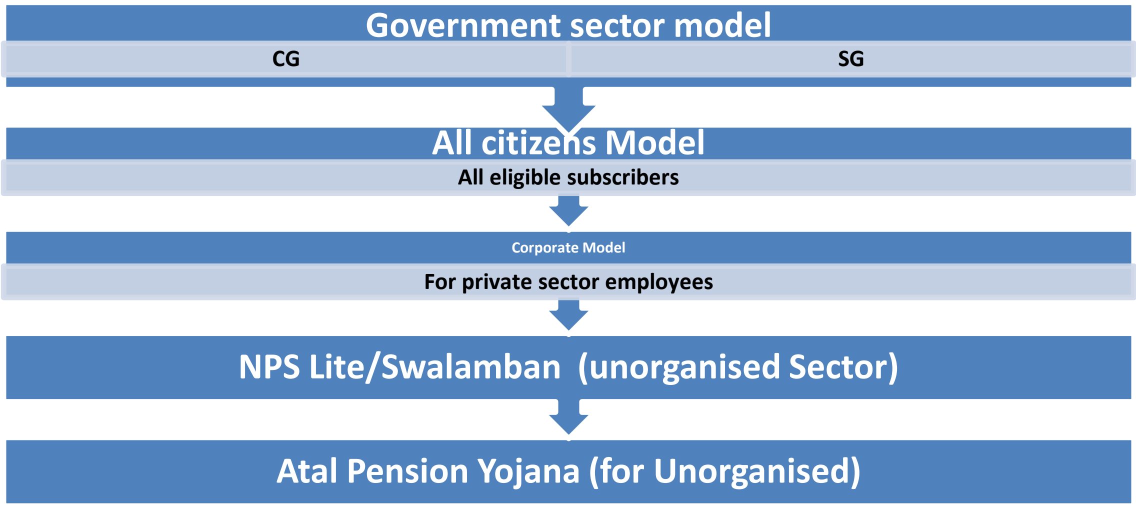
3. TYPES OF ACCOUNTS UNDER NPS



Basis	Tier-1	Tier-2
Is it mandatory for investing in NPS?	Yes	No
Who is eligible to open an Account?	Any resident (Indian citizen/NRI).	Tier-1 members.
Minimum contribution in a year.	Rs 1,000 (as on 0ct,2016... earlier it was Rs 6,000)	Rs 1,000 at the time of account opening.
Minimum amount per contribution.	Rs 250	Rs 250
Minimum balance at the end of year.	Not required.	Rs 2,000
Is it possible to transfer funds from Tier-1 to Tier-2 account?	No	Yes

4. TRANSITIONS IN NPS

NPS platform provides different model which will suit the requirement of different segments of users accordingly:



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5. OBJECTIVES OF THE STUDY

The main objective of the present study is to review the performance of the Pension Fund Managers operating NPS Scheme-E since inception of the scheme.

6. RESEARCH METHODOLOGY

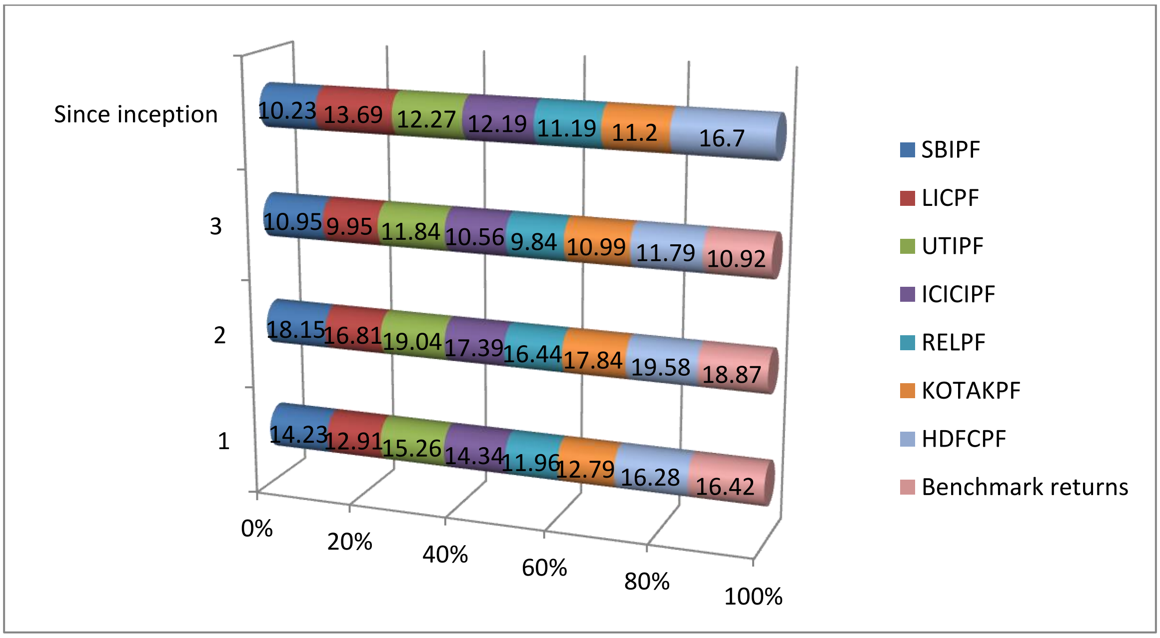
The study is descriptive cum analytical in nature and is based on secondary data collected from various sources such as PFRDA reports, NPS trust.org and other concerned websites. Various statistical tools are applied in order to achieve the objectives of the study.

7. ANALYSIS AND INTERPRETATION

TABLE 1: NEW PENSION SCHEME – EQUITY (NPS-E) - TIRE – I

Period	SBIPF	LICPF	UTIRSL	ICICIPF	RELPF	KOTAK PF	HDFC PF	Benchmark Returns
1	14.23	12.91	15.26	14.34	11.96	12.79	16.28	16.42
2	18.15	16.81	19.04	17.39	16.44	17.84	19.58	18.87
3	10.95	9.95	11.84	10.56	9.84	10.99	11.79	10.92
Since Inception	10.23	13.69	12.27	12.19	11.19	11.20	16.70	

Source: NPS Trust as on 27th April, 2018



(Fig A)

All the NPS – E (Tire – I) offered by SBI, LIC, UTI, ICICI, Reliance, Kotak & HDFC gives a positive return compared with the risk free rate of return (i.e., bank rate) for all the years.

HDFC scored the highest return of 16.28% and the lowest is 11.96% by Reliance limited.

In the first year when compared to the benchmark returns for one year period, all the funds are within the limit.

For second year, HDFC crossed the benchmark return with highest scorer among all PFs and least scorer is Reliance PF with 16.44%.

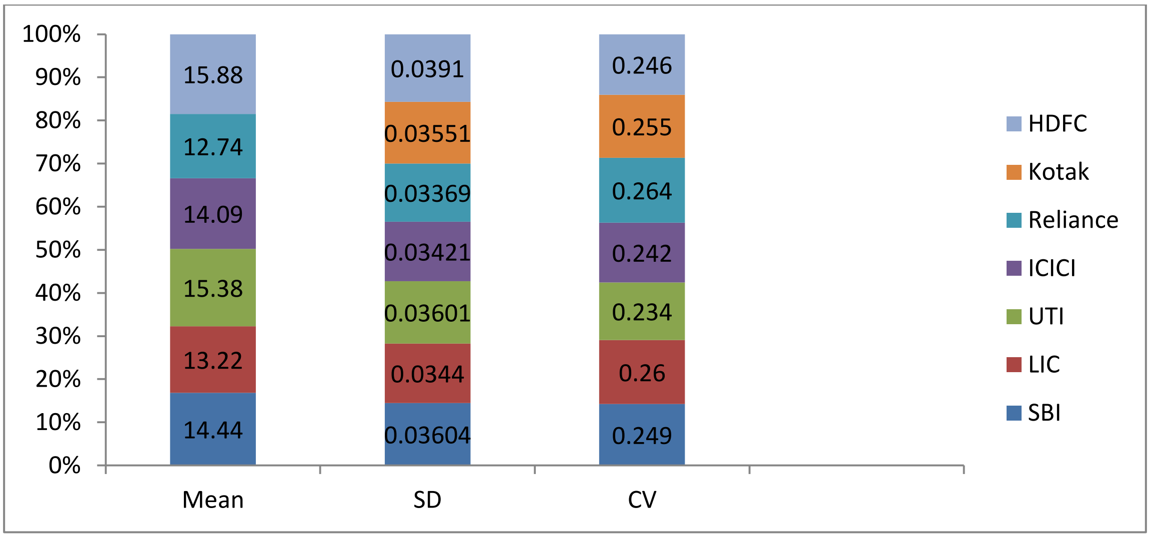
UTI Retirement Solutions got the highest return of 11.84% and the least Return as 9.95% by LIC for the period of three years.

All the NPS – E (Tire – I) offered by HDFC,KOTAK,UTI&SBI gives above the benchmark return, for three years period.

Since inception, HDFC gives the highest return as 16.70% and least return, by SBI as 10.23%.

Table 2: Mean and Standard Deviation and Coefficient of Variation of NPS-E (Tier-1)

Company	SBI	LIC	UTI	ICICI	Reliance	Kotak	HDFC
Mean	14.44	13.22	15.38	14.09	12.74	13.87	15.88
Standard Deviation	0.03604	0.03440	0.03601	0.03421	0.03369	0.03551	0.03910
Coefficient of Variation	0.249	0.260	0.234	0.242	0.264	0.255	0.246



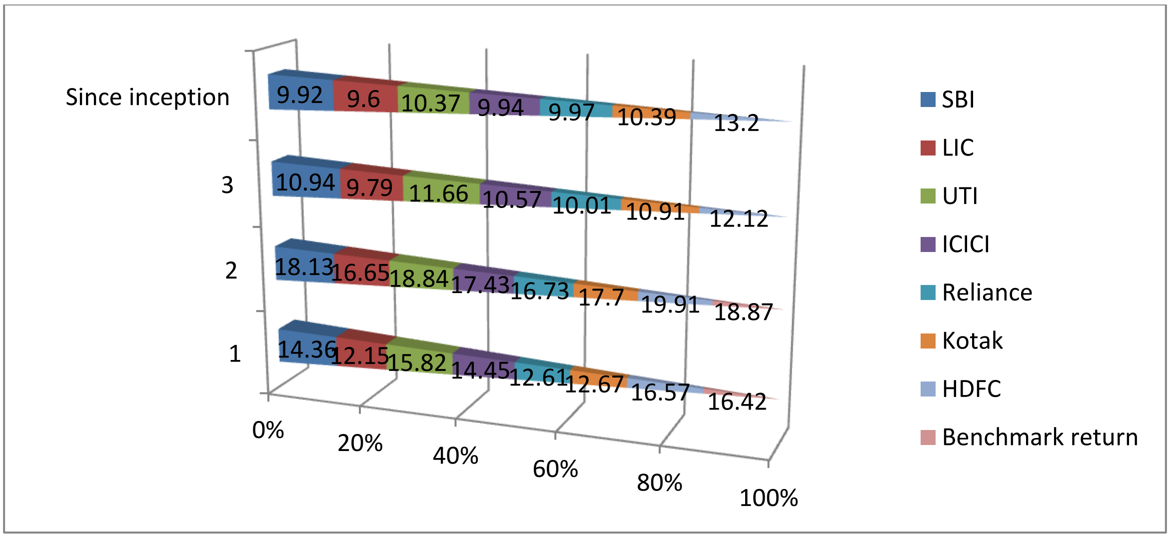
(Figure B)

HDFC has the highest mean return of 15.88% and the lowest mean return by Reliance with 12.74%. The lowest variation from the mean is 0.03369% by Reliance and HDFC has highest variation from mean with 0.03910. Coefficient of variation is high among Reliance with 0.264 and lowest for UTI i.e. 0.234.

TABLE 3: NEW PENSION SCHEME – EQUITY (NPS-E) - TIRE – Il

Period	SBIPF	LICPF	UTIRSL	ICICIPF	RELPF	KOTAK PF	HDFC PF	Benchmark Returns
1	14.36	12.15	15.82	14.45	12.61	12.67	16.57	16.42
2	18.13	16.65	18.84	17.43	16.73	17.70	19.91	18.87
3	10.94	9.79	11.66	10.57	10.01	10.91	12.12	10.92
Since Inception	9.92	9.60	10.37	9.94	9.97	10.39	13.20	

Source: NPS Trust as on 27th April, 2018



(Figure C)

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All the NPS – E (Tire – Il) offered by SBI, LIC, UTI, ICICI, Reliance, Kotak & HDFC gives a positive return compared with the risk free rate of return (i.e., bank rate) for all the years.

HDFC scored the highest return of 16.57% and the lowest is 12.15% by LICPF limited.

In the first year when compared to the benchmark returns for one year period, all the funds are within the limit.

For second year, HDFC crossed the benchmark return with highest scorer as 19.91% among all PFs and least scorer is LICPF with 16.65%.

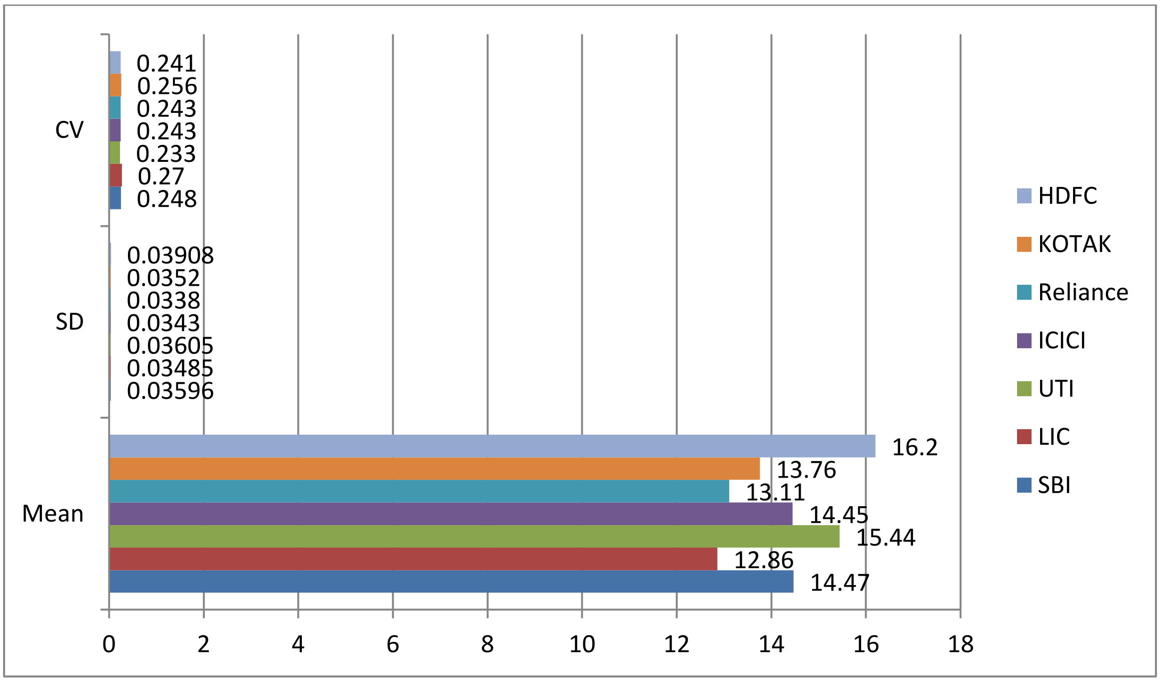
HDFC got the highest return of 12.12% crossed the benchmark and the least Return as 9.60% by LIC for the period of three years.

All the NPS – E (Tire – Il) offered by HDFC,, UTI&SBI gives above the benchmark return, for three years period.

Since inception, HDFC gives the highest return as 13.20% and least return, by LIC as 9.60%.

Table 4: Mean and Standard Deviation and Coefficient of Variation of NPS-E (Tier-1l)

Company	SBI	LIC	UTI	ICICI	Reliance	Kotak	HDFC
Mean	14.47	12.86	15.44	14.45	13.11	13.76	16.2
Standard Deviation	0.03596	0.03485	0.03605	0.0343	0.0338	0.0352	0.03908
Coefficient of Variation	0.248	0.270	0.233	0.243	0.258	0.256	0.241



(Figure D)

HDFC has the highest mean return of 16.2% and the lowest mean return by LIC with 12.86%. The lowest variation from the mean is 0.0338% by Reliance and HDFC has highest variation from mean with 0.03908%. Coefficient of variation is high among LIC with 0.270 and lowest for UTI i.e. 0.233

8. CONCLUSION

The role of NPS in the economy and capital market can be examined in terms of accumulation of institutional capital, development of capital market through creation of demand for financial instruments, support to improve financial market research, risk rating standard, corporate governance etc. which not only gives momentum to growth but also lead towards economic development of the country. It has been observed from the study that Indian debt market showed continued decline in terms of investment purpose which was only 3.2% in 2007, in GDP terms but gained a lead with the introduction in pension reforms i.e. NPS.

From the above discussion it can be concluded that the performance of LIC PF and Reliance PF is not satisfactory as they are unable to beat the benchmark returns. The performance of HDFC PF is superior to others. The performance of SBI PF, Kotak PF, and UTI RSL is also good.

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