



Off Site supervision of Pension Funds

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Istanbul**

**D. Swarup
Chairman**

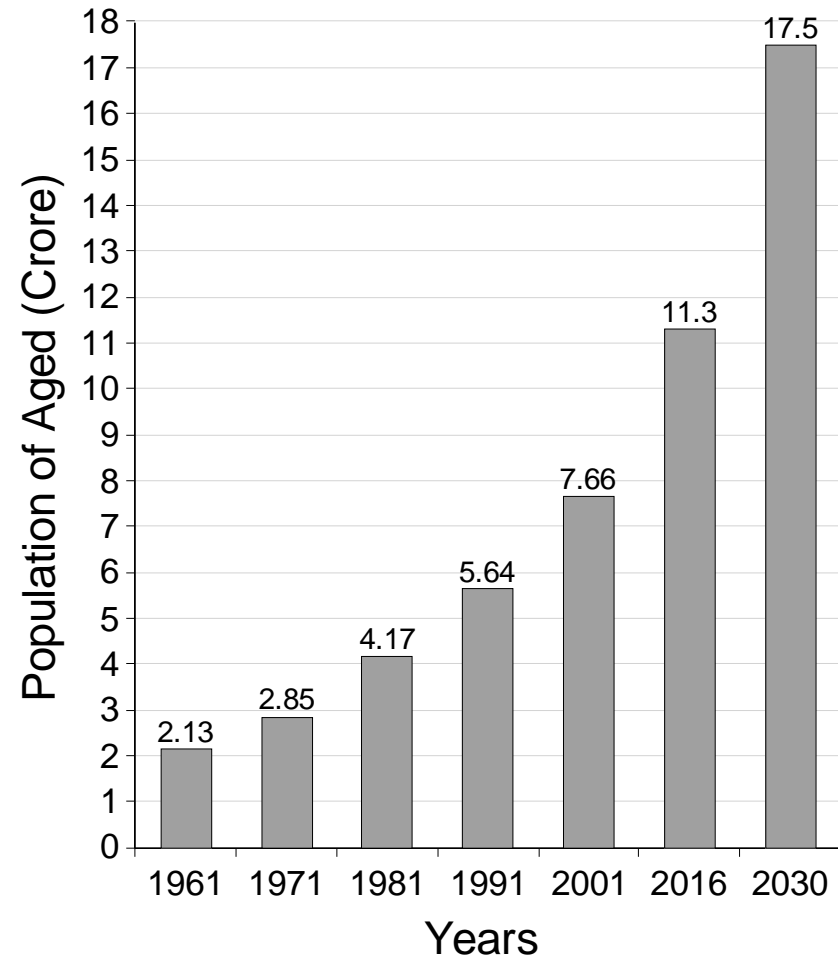
**Pension Fund Regulatory and Development Authority (PFRDA)
New Delhi, India.**

Outline of the Presentation

- **BACKGROUND**
- **NEW PENSION SYSTEM (NPS)- ARCHITECTURE**
- **ROLE OF CENTRAL RECORDKEEPING AGENCY (CRA)**
- **OFF-SITE SUPERVISION BY CRA**

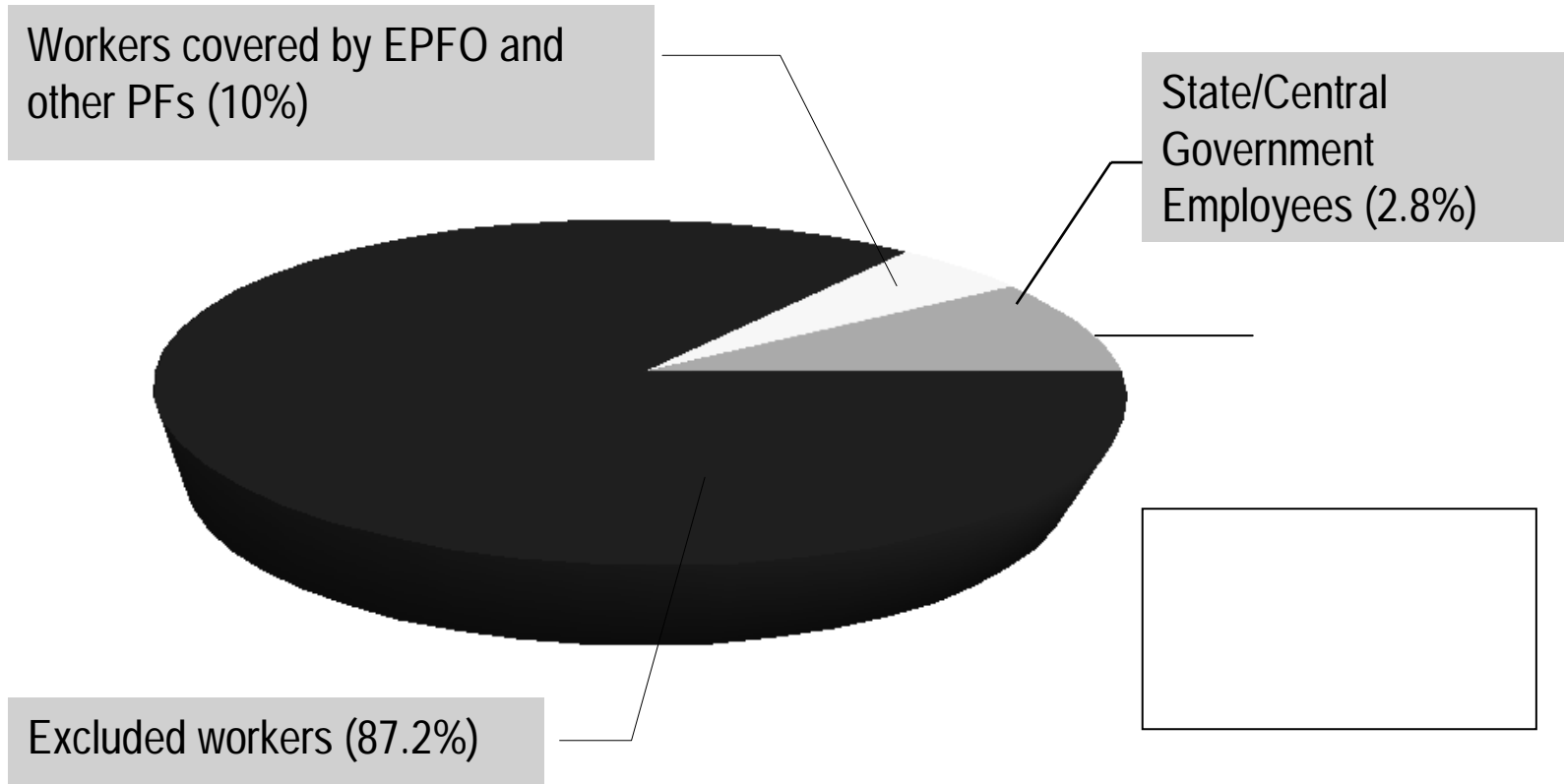
Demography

- Nearly 80 million elderly today; expected to more than double in 25 years.
- Life expectancy of over 17 years at age 60. Will only improve in future
- A worker will have to save enough to last for nearly 2 decades after he stops working.



Source: Visaria, IEG 1998 and Census 2001

Pension Coverage



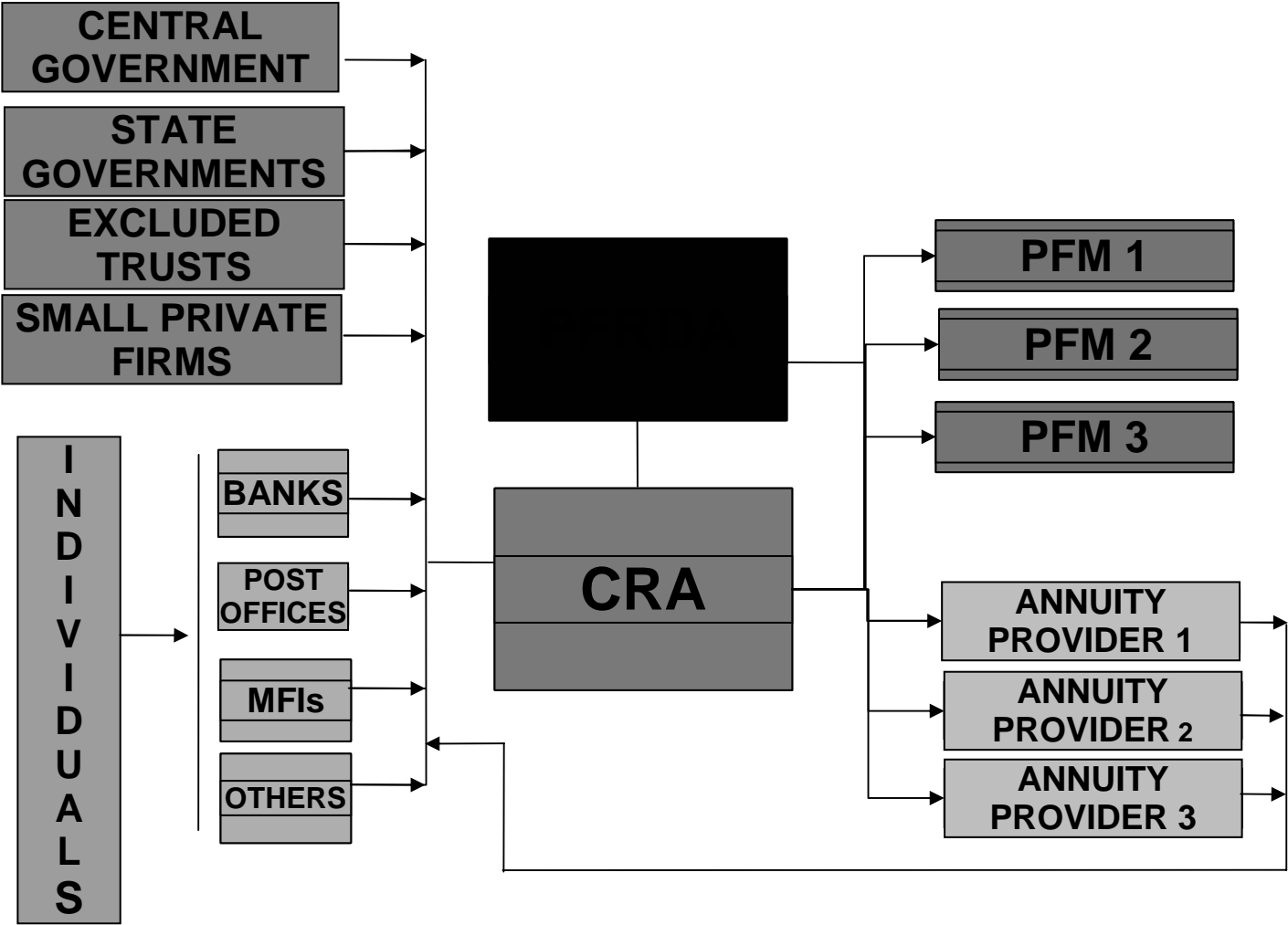
New Pension System

- Based on Experts' Reports, Federal Government initiated major pension reforms in 2003 :
 - New Pension System– DC, individual account based, multiple fund managers, portable.
 - Mandatory for new Government recruits
 - Voluntary for all other citizens
 - An Interim Regulator set up
 - NPS effective from 1st January 2004.
 - Subsequently, 16 sub national Governments have adopted the system

New Pension System (NPS)

Features and Architecture

Full NPS Architecture



NPS Architecture

- Unbundled architecture:
 - Central record Keeping Agency- CRA
 - Pension Fund Managers- PFMs
 - Point of Presence- POPs
 - Independent Regulator

CRA functions and off-site supervision

CRA- functions

- Issue permanent account number to all members
- Maintain master data base
- Receive and consolidate member's contribution and instructions from POPs and transmit to relevant PFMs
- Enforce operational guidelines of PFRDA on service providers and report lapses and errors.
- Provide electronic connectivity between service providers, members.

CRA- Functions

- Direct service provision by CRA to subscribers through internet, call centres.
- CRA to set up flexible electronic facility amenable to modification with change in technology, scope, service obligation.
- Members to approach POP to access NPS for PPAN opening, accreting new contributions, receiving account and system information and obtaining retirement benefits.
- Disaster Recovery Facility to be maintained

CRA- off site supervision

- CRA directly responsible to PFRDA for POPs service quality.
- POPs to be electronically connected to CRA on a secure internet on real time basis
- CRA to reconcile information received from POPs against the amount received from banking system.
- CRA to provide access code and operational manual to POPs
- CRA to be responsible for monitoring and reporting on POPs security and efficiency.
- CRA to deactivate POPs terminal on PFRDA's advice

CRA- off site supervision

- Licensed PFMs to have a operation agreement with CRA
- PFMs to communicate NAV (net of fees) on daily basis to CRA
- CRA to deactivate PFMs access to NPS on PFRDA's advice
- CRA to provide window for registering complaints against errant PFMs
- CRA to submit log of all complaints etc. to PFRDA periodically

CRA- off site supervision

- CRA to monitor limits on fees and charges on POP, PFM and report to PFRDA regularly
- CRA to impose penalties on POP for delay, inaccuracy,
- CRA to publish and monitor performance benchmarks in consultation with PFRDA
- Errors- PFRDA to prescribe compensation amount and mode of recovery -to be enforced by CRA



THANK YOU