

Pension regulator sets up panel to frame rules for guaranteed payouts under NPS

The committee's terms of reference include deliberating on innovation and settlement models to ensure legally enforceable, market-based guarantees. It will also work on defining key parameters such as lock-in periods, withdrawal limits, pricing mechanisms and fee structures for service providers.

Subhash Narayan
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The move is in line with provisions of the PFRDA Act, and aims to strengthen retirement income security for subscribers.

New Delhi: The Pension Fund Regulatory and Development Authority (PFRDA) has constituted a high-level committee to formulate guidelines and regulations to enable a framework for assured payouts under the National Pension System (NPS).

The move is in line with provisions of the PFRDA Act, and aims to strengthen retirement income security for subscribers, the finance ministry said in a statement on Tuesday.

The committee will be headed by M. S. Sahoo, former chairperson of the Insolvency and Bankruptcy Board of India (IBBI). The 15-member panel includes a diverse group of experts from various disciplines such as legal, actuarial, finance, insurance, capital markets and academia.

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The committee's terms of reference include deliberating on innovation and settlement models to ensure legally enforceable, market-based guarantees. It will also work on defining key parameters such as lock-in periods, withdrawal limits, pricing mechanisms and fee structures for service providers. Further, the panel will focus on establishing robust risk management norms, including capital and solvency requirements. It will also examine the tax implications of payout options that allow subscribers to remain within the NPS framework.

Meaningful evolution

"The move to explore assured payouts under NPS marks a meaningful evolution in India's pension framework. While earlier reforms focused on flexibility at exit, this shift addresses the bigger challenge of income certainty in retirement. If designed well, it can improve confidence in long-term savings, deepen pension participation and strengthen financial security as India's workforce ages," said Rishi Shah, partner and economic advisory services leader, Grant Thornton Bharat.

Further, to ensure comprehensive deliberation, the committee has been authorized to invite external experts or intermediaries as special invitees for feedback and consultation.

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The panel has been established as a standing advisory committee on structured pension payouts. Its primary mandate includes creating regulations for assured payouts, including exploring the pension schemes as highlighted in the PFRDA consultation paper dated 30 September, 2025.

The committee will also look at ways to ensure a smooth end-to-end transition for subscribers moving from the accumulation phase to the payout phase, the statement said.

The formation of this committee is a significant step by PFRDA towards the broader vision of a Viksit Bharat 2047, where every citizen achieves true financial independence and dignity in their golden years, the statement added.

Standardizing disclosure

It will also look at measures to develop standardized disclosure frameworks to prevent mis-selling and manage subscriber expectations regarding the nature of assurance and market-based guarantee.

"It's a good move by the regulator formulating guidelines and regulations to enable a framework for assured payouts under the National Pension System (NPS). The regulator should also evolve a system where investment in annuity programmes of the accumulated funds in NPS is provided to the subscribers so that choice is exercised rather the subscriber getting bound to put accumulations in programmes curated by the regulators," said Vikas Gupta, chief executive and founder of Kangaroo Associates, a boutique wealth management firm in New Delhi. "Also, effort should be made to see that pension programmes do not erode the base accumulation and subscribers get monthly pension on the basis of annualised returns received on accumulation."

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"PFRDA's decision to form an expert committee for assured payouts under NPS is a positive and timely step. It will strengthen confidence among pension subscribers and ensure income security after retirement," said S. C. Mishra, a standing counsel for the Indian government.

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