

Launch of NPS Vatsalya
Wednesday, 18th September 2024, 03.00 pm, New Delhi.

Welcome Address¹

Hon'ble Union Minister of Finance and Corporate Affairs, Smt. Nirmala Sitharaman Ji; Minister of State for Finance Shri Pankaj Chaudhary ji; Secretary, Financial Services Shri Nagaraju Maddirala ji; distinguished guests and children present here, and at different locations across the country, it is my proud privilege to welcome you to today's event which marks the birth of a pension scheme for our children, NPS Vatsalya.

Pension, meaning a steady flow of income through one's life time, is a necessity for financial security and dignity at old age. However, the financial provision for that ought to be ideally made when one is young and working.

In popular perception, pension was a privilege of government employment. It is no longer so with the introduction of the National Pension System (NPS) in 2004, first for the government employees, and then extended to private corporates including the common person, and now to children with the launch of NPS Vatsalya. Thus, any one from infancy to 70-years old can join NPS.

Once a child attains the age of majority NPS Vatsalya seamlessly gets converted into a regular NPS, and on employment it could be ported to work place NPS. Thus, providing continuity to one's retirement account. The financial threshold level of entry has also been kept low to make it accessible to all strata of our society: with an annual contribution of just Rs. 1000, one could open and continue NPS Vatsalya. It will have all the features of NPS such as investment choices between equity and debt and selection of Pension Fund. One could easily open an NPS Vatsalya account through bank branches and directly through online mode, e-NPS.

NPS is a low cost prudently regulated pension scheme. It has made a steady progress with an accumulated corpus of over Rs.13 lakh crore. It provides competitive returns. For instance, the equity component of NPS scheme has given a compound annual growth rate (CAGR) of 14.2 percent return since inception. Similarly, the NPS scheme for central government employees, which is a mix of both debt and equity, has given a CAGR of 9.6 percent return since inception. This performance can be attributed to favourable financial market conditions and various strategic initiatives of PFRDA designed to enhance subscriber experience and safeguard their investments. But most importantly, it is

¹ Welcome address by Dr. Deepak Mohanty, Chairperson, Pension Fund Regulatory and Development Authority (PFRDA) at program on launch of NPS Vatsalya at Vigyan Bhawan, New Delhi, September 18, 2024.

the hard work put in by all our intermediaries, including the front-line staff of banks, which brings us this success.

Notwithstanding the progress so far, the pension system in our country is still evolving and we have a long distance to cover. It is pertinent to mention that the pension assets, covering major schemes including Employees' Provident Fund Organisation (EPFO), are around 17 percent of our GDP with NPS at 4.5 percent of GDP. In comparison, the average pension assets in Organisation for Economic Co-operation and Development (OECD) countries were over 80 percent of their GDP. Pension assets are long-term assets. If we could tap into our pension potential, we could reap immense benefit in terms of investment and economic growth.

Viewed in our broader demographic and economic context, NPS Vatsalya would not have come at a more propitious time. We are the most populous young country on the face of the planet with a population of over 140 crores, in a median age of 28.4 years, and an estimated 31 percent of our population being under 18 years of age. Our ability to financially empower our children is expected to rise as we transition from a lower middle-income country to an upper middle-income country on way to a high-income country over the coming decades.

In the matter of pension an early start is a head start: small amounts squirreled away could yield substantial corpus by harnessing the power of compounding. People often have various financial priorities and may not always consider retirement planning until later in life which often results in inadequate old age income. Thus, there was a felt need for a pension scheme inculcating a culture of early saving and investment.

It is the Government's forward-thinking approach, under the overarching objective of provision of social security for all, that we are here today for the launch of NPS Vatsalya. It enables us to tap into the power of compound interest, potentially leading to substantial wealth accumulation over time securing the financial future of our younger generation.

We at PFRDA are committed to ease the onboarding process by leveraging digital technology, protecting the interests of subscribers, and fostering trust in the pension ecosystem through continuous improvements in security, transparency and operational efficiency.

Once again, my gratitude to Hon'ble Finance Minister; Minister of State for Finance; Secretary, Financial Services, all our invitees here and participating from remote locations and children for making the occasion memorable in our quest for personal financial well being and economic progress.

Thank you!
